

06-Mar-2019

The Estée Lauder Companies, Inc. (EL)

Investor Day

CORPORATE PARTICIPANTS

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

Andrew Ross

Executive Vice President-Strategy & New Business Development, The Estée Lauder Companies, Inc.

Jane Hertzmark Hudis

Group President, The Estée Lauder Companies, Inc.

Dennis McEniry

President of ELC Online, The Estée Lauder Companies, Inc.

Olivier Bottrie

Global President, Travel Retail and Retail Development, The Estée Lauder Companies, Inc.

Stephane de La Faverie

Global Brand President, Estée Lauder, The Estée Lauder Companies, Inc.

Sandra Main

Global President, La Mer and Bobbi Brown, Estee Lauder Companies, The Estée Lauder Companies, Inc.

Guillaume Jesel

Global President-Tom Ford Beauty, The Estée Lauder Companies, Inc.

Tracey Thomas Travis

Executive Vice President and Chief Financial Officer, The Estée Lauder Companies, Inc.

Chris Good

Group President-North America Region, The Estée Lauder Companies, Inc.

Jane Lauder

Director & Global Brand President-Clinique, The Estée Lauder Companies, Inc.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Joy Fan

Senior Vice President, General Manager, China, The Estée Lauder Companies, Inc.

Rohan Vaziralli

General Manager, India, The Estée Lauder Companies, Inc.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

William P. Lauder

Executive Chairman, The Estée Lauder Companies, Inc.

OTHER PARTICIPANTS

Olivia Tong

Analyst, Bank of America Merrill Lynch

Jason English

Analyst, Goldman Sachs & Co. LLC

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

Mark Stiefel Astrachan

Analyst, Stifel, Nicolaus & Co., Inc.

Michael Binetti

Analyst, Credit Suisse Securities (USA) LLC

Ali Dibadj

Analyst, Sanford C. Bernstein & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: The Estée Lauder Companies would like to remind you that today's presentation includes a number of forward-looking statements. Please refer to the Company's most recent reports filed with the SEC, where you'll find factors that could cause actual results to differ materially from these forward-looking statements.

Also, during this presentation, the Company will reference certain non-GAAP financial measures. You can find reconciliations between GAAP and non-GAAP figures on the investors section of the Company's website, www.elcompanies.com. Today's event is being recorded and webcast.

Please welcome the President and Chief Executive Officer of The Estée Lauder Companies, Fabrizio Freda.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

Good morning and welcome to The Estée Lauder Companies' Investor Day. We are very excited today to give you greater insights into our business. We believe you'll walk away with a different understanding of what's fueling our winning strategy and why our company is so attractively positioned for the future. You will also have an opportunity to meet and hear from some of our impressive leaders who are running our business, bringing our strategy to life on a daily basis. That will give you a deep dive into some of the key business drivers that I will share with you now.

We will also have two Q&A sessions during the course of the day, one mid-morning and one at lunch. So, in a fast changing global business environment, our company is beautifully positioned in the sweet spot of consumer goods. Global Prestige Beauty marries the best features of consumer product companies with those of luxury houses. Like high quality consumer products, our brands generate superior consumer loyalty, evident in strong repurchase rates. In the U.S. for example, sales from our top-selling skin care products are repurchased at an outstanding rate ranging from 45% to 60%. And like luxury companies, our aspirational brands have pricing power. Consumer recognize the value of our high quality products and high-touch services.

Our – on average pricing increases represents 20% to 25% of our annual net sales growth. However, unlike more expensive Prestige goods, our products are affordable luxury. And historically, growth has been resilient and less sensitive to economic downturns. The lipstick index is a reality.

We are distinctively a unique company: not only are we a force in one of the most attractive consumer areas, Prestige Beauty, we are 100% focused on it. Profitable growing in Prestige Beauty is all what we do. However, within Prestige Beauty we are now well diversified, by brands, categories, geographies, channels, consumer segments and price points, making us the best diversified pure play.

Prestige Beauty has proven to be one of the most attractive and fast growing consumer sectors driven by favorable long-term demographic, a growing consumer passion for high quality beauty products. It has generated average sales growth of 6% over the last five years, about double the 3% of Consumer Staples.

Our growth has been even stronger and we have outpaced Prestige Beauty year after year, leading to a significant share gains and the trend is continuing. Our forecast for fiscal year 2019 is for 8% to 9% growth in constant currency, ahead of the industry and higher than our long-term goals. Important to note is that we successfully leveraged our multiple engines of growth strategy. In different years, we were driven by different

engines. At the same time we have grown up our top-line, we have also dramatically transformed our operations, freeing up resources to invest and to fuel strong growth for the years to come. Our Leading Beauty Forward initiative has enabled us to cut cost and invest in new capabilities for the future, including digital and analytics. We doubled our advertising and promotional spending and improved its rate of return. Our advertising spending increased sharply, while promotions has remained stable. Over the past 10 years, our strategy has delivered exceptional results. Net sales rose on average 8% and every year we achieved or exceeded our ambitious long-term goals. In calendar 2018, we added \$1.4 billion in sales, which was more in absolute value than the increase in Prestige Beauty sales from each one of our two nearest competitors. We attracted many more new consumers, especially in key emerging markets. Also by comparison, the total of all indie brands are nowhere near the size of any of the top-three Prestige Beauty companies.

Even if some of them had larger growth rates, they contributed far less in absolute dollar growth. Our earning per share increased on average 21%, rising consistently year-after-year. Our global share reached 14.4%, anchoring our position at the largest players in Global Prestige Beauty, leaving ample space for future growth.

Total stockholder return was 983% – anyway, by the end of the year we need to get to 1000%, well above – that's why you are here – well above the S&P 500 and S&P Consumer Staples Index and also above our peer group. We consistently outperformed Consumer Staples and Prestige Beauty. We are in a league of our own.

Last but not least, our results drove an outstanding increase in our market cap, which grew from \$6 billion to \$56 billion since 2009. Let me tell you now why we are confident our results should continue for the next ten years. First of all, we will stay focused on the fast growing Prestige Beauty industry. Our strategic process which we call the 10-year compass revealed many positive dynamics that are expected to boost Prestige Beauty growth in coming years and we are in a perfect position to take advantage of them. The growing middle class in both emerging and in most developed markets will control growing spending power. Many of these women aspire to Prestige Beauty brands and to their quality standards. The digital revolution provides new opportunities in all aspect of business and/or retail from product development and technology to shopping experiences and marketing. And consumers are putting a greater importance on health and wellness and purpose-driven brands and organizations.

Demographic shifts will further drive demand for Prestige Beauty. It's estimated the middle class will grow by 600 million people, representing greater than \$5 trillion in added global spending power by 2028, an increase of 50%. These are our most avid consumers. The growth will be driven by consumers in developing countries, the largest being China, but also India, Southeast Asia or Brazil as well as the more mature economies like the United States.

The industry dynamics are compelling: not only are there more consumers, but their beauty regimen is getting more sophisticated. They have been trading up and spending more on high quality Prestige Beauty, a trend we expect to continue. Consumer spending on Prestige Beauty product has increased sharply in emerging market and also in the United States.

Looking ahead, there is still substantial room for growth. Women in China between the age of 15 and 65 spend \$23 annually on Prestige Beauty today. That compares to \$255 in the United States and interestingly \$276 in Korea, which was an emerging market just 20 years ago in Prestige Beauty. In India and Brazil, the opportunity is even greater: the average female in that age group spends on Prestige Beauty just \$2 or \$21 respectively. Imagine the sales growth potential in China when its consumption reaches the level of South Korea, or even half this level and the prospects in India when demand advances near to the level in China today.

There are also terrific opportunity for consumer continue to trade up from mass beauty to Prestige brands and high service channels in many, many markets. In the past five years, total Prestige Beauty has grown much faster than overall mass beauty. In our U.S. home market, Prestige Beauty is approximately 40% of total beauty sales, below the 47% average in developed Asian markets, providing opportunity to migrate more consumers from mass to Prestige. In China, currently, the percentage of Prestige is 26%, far less than developed market in the Asia region: and we assume that at some point, Prestige Beauty penetration in China will catch up to Japan or Korea. Net, we are optimistic about the prospect of Prestige Beauty and believe it will continue to grow strongly.

Now, let me explain why we believe that we can continue to gain share in this very attractive market. We are confident that our proven strengths, combined with the enhanced capabilities we have built in these years will continue to power our winning strategy over the long-term. One of our key strengths is our innovation, which is ingrained throughout our brands. Innovation, joined with an entrepreneurial spirit was how our company was funded and built and these traits remains at the heart of what we do. Our product innovation is driven by each of our 30 brands in its unique way. We imagine product consumer didn't know they need it, but they can live without. Consumers are our inspiration: but creativity drives our product and brand equity development.

What's different now is that our innovation is also inspired by concrete data analytics and consumer insights. Data is today [indiscernible] (00:12:59). It provides rich intelligence and increases our ability to focus resources on the best opportunities. When we combine our deeper understanding of consumer and our innate creativity, amazing results happen.

A proof: We have significantly improved the success rate of our product launches, which accounted for nearly 30% of net sales in the first half of this fiscal year 2019 and [indiscernible] (00:13:34). We are innovating with increased focus around our most important hero franchises and developing locally relevant products all while improving our speed to market. Our focus is [ph] fewer (00:13:48), bigger, faster innovations. Let me show you now some example of our recent innovations. Let me show you now some example of our recent innovations. In skincare, Clinique ID is a breakthrough line-up or custom [ph] feed moisturizer and (00:14:02) treatment with 15 different combinations on display in the foyer area. It addresses consumer growing desire for more personalization in the beauty products. Also on display outside is Estée Lauder Sakura Essence Treatment Lotion, which targets the most popular skincare subcategory in the entire Asia and uses local ingredients, including Cherry Blossom. It was developed in Asia, where it launches later this month.

La Mer, The Concentrate, was redesigned on the upside to reflect the restorative sea kelp infused Miracle Broth within. La Mer's successful innovations are helping fuel the brand terrific growth in this moment.

In makeup, M-A-C Lucky Red collection is a locally relevant line to celebrate the Lunar New Year in style. Bobbi Brown Crushed Liquid Lip combines the look of a liquid lipstick with the feel of a balm and the sheen of a gloss – pretty good at that. Too Faced expanded a shade range of its popular Born This Way foundation, successfully attracting new fans. Tom Ford is introducing a Cushion Compact in Asia with an outstanding execution that elevates this subcategory to new levels of luxury.

In Fragrance, our high end luxury and artisanal brands are enjoying exceptional growth. Le Labo handcrafted Tonka 25 evokes dark woody [ph] nodes (00:15:49) and is attracting new consumers. Jo Malone London Honeysuckle & Davana is delivering a very innovative fragrance experience. In hair care, Aveda Cherry Almond Shampoo and Conditioner success is proving how the brand is well positioned to capitalize on the trend for natural ingredients. Today, we are also shaping our consumer luxury experience throughout digital and technology. Jane Hudis and Dennis McEniry will discuss our latest developments in this area in few minutes.

We are a leader in e-commerce and sell online in more than 50 countries. We have 300 brand sites worldwide, which are also valuable consumer engagement assets and equity building vehicles. Last fiscal year, they attracted more than 400 million consumer visits. Online shopping accounts for nearly 30% of sales in our top markets and our online sales had been growing above 30% per year in the last five years. Our social media is engaging consumer like never before. As I mentioned earlier, by freeing up resources, we have strengthened our advertising spending in our cloud. Every brand in our portfolio now advertises, compared to pre-digital days with only a few advertised either in magazines or in TV. And today, our advertising is much more effective as you will hear later.

Our brands reach consumers worldwide through digital platform that uses thousands of influencers, who also act as content creators. Social media has unleashed actually much more new opportunities. Technology is now touching every part of our business model from the virtual makeup application you saw in foyer, to digital training for our beauty advisor. We have brought our High-Touch service to mobile devices with the same kind of Prestige experiences available in-store. We now even offer beauty tips on the Google Home device. So leveraging the strengths will help continue growing across geographies, category, channels, and brands. We have the right growth engines in the right places. Now, when market dynamics change, we have more flexibility than in the past to move investment to [indiscernible] (00:18:34) other engines growth. This is also thanks to the fact that our Leading Beauty Forward initiative helped reduced fixed cost and increased advertiser spending, which is obviously much more agile to move market to market, brand to brand. Our global footprint means we can target growth wherever consumer demographic and trends are the most attractive in a given moment in time. Our business outside the United States represents now nearly 70% of our sales. We are now the leader in Prestige Beauty in North America and Asia, and number one in many developed and emerging markets including the U.S., UK, Hong Kong, Brazil, India, to name a few. This map highlight the more than 40 countries where we are number one or two in Prestige Beauty. We have plenty of opportunities to further develop our brands geographically. Our biggest brands are available in more than 150 countries. However, most of our brands still have [indiscernible] (00:19:50) markets to enter. To give a sense of the potential, Estée Lauder is in more than 150 countries, La Mer in half that number. And smaller brands like Le Labo only in 23 markets for the time being. Every year, we strategically bring more brands into more countries. There is a terrific runway left especially in the emerging markets. In China, for example, today we only have half of our 30 brands.

To illustrate our future potential, our Asia-Pacific team created a video that brings to life the opportunities in this fast growing region, which we will play now for you.

[Video Presentation] (00:20:37-00:23:36)

I hope you can see why we are so excited about the opportunities we are creating for the future. Looking now at our channels of distribution, we are now leaders in the two key channels of the future, travel retail and global online. Globally, we are focused on targeted distribution development in the fastest growing channels where consumers are shopping. We view travel retail and online as key. And we are now well positioned to continue capturing their excellent growth prospects.

As you will hear from Olivia Botrie, travel retail is now a brand-building channel and one of the most exciting retail venues. And we have been gaining significant market share. Future growth is expected to come from several sources. Passenger traffic is projected to keep climbing. We are increasing conversion among travelers and we have more brands to rollout in more airports including many of our newest brands.

Our online channel is another bright spot. We plan to enter new markets with brand, retailer, and third-party sites and bring more brands online in markets where we already had a presence. We see exciting potential in new and existing markets as we spend our online penetration.

E-commerce accounts for nearly 30% of our sales in China, and that's with only nine brands online. Targeted online expansion should help our strong double-digit growth in the channel to continue for many years to come. Online is a major component of our direct to consumer business, which includes our brand sites, third party platform like Tmall, and our 1,500 free standing global retail stores. This distribution segment is growing double digit and highly profitable since we get the full retail price.

Our direct to consumer channels allow us to capture robust data, which as I mentioned give us a valuable consumer insights for future innovation and for marketing. We get the most consumer data in Asia, which helps inform our strategy and provides a clear competitive advantage.

Our diverse portfolio of brands is one of our greatest strengths, and we actively manage it as our brands grow in size and develop their equity. Sitting at the top of our portfolio are four brands larger than \$1 billion in sales, actually three of them really exceeds \$2 billion. Then there are large collection of midsized brands we are scaling, and we expect some to graduate to the larger group over the next few years. And developing brands get bigger. We continue to fill in the pipeline through M&A to address strategic areas or strengths our position in priority channels in geographies or in sub-categories.

Our brand span whole category and segment of Prestige Beauty from classic to more progressive positioning, from entry level price points to ultra-luxury. Each brand is distinctive with its own unique characteristic and unique target consumer group. John Demsey and Andrew Ross will talk about our portfolio management shortly.

Our family culture and our focus on inclusion and diversity are essential to our ability to serve consumers and grow our business. They are at the center of our values and a key enabler of our success. Our family heritage give us a special culture with core family values woven into our fabric.

This word cloud reflects the most prevalent words our employees chose in a survey to describe our company values. Family values, diversity, inclusion and philanthropy are integral to who we are. Having a diverse group of employees in every sense of word is an important corporate trait and makes good business sense.

Our employees reflect the consumers we serve, helping us to better understand their aspirations. Women comprise 80% of our global workforce; hold over 50% of senior positions and represents 45% of our board of directors. Importantly, over 65% of our scientific researchers are women and 50% of our affiliate general managers around the world are women, including those in Saudi Arabia and Japan.

We have received many honors over the years that recognize our corporate values and commitment. For example, for the second year in a row, we were included in Bloomberg's Gender Equality Index reflecting our principles of respect inclusion in advancing women.

Four years ago, we created a reverse mentor program, as a way to keep myself and my leadership team current in the latest digital social media and shopping preferences of millennial and Gen Z consumers. Since then, we have expanded the scope to include business and change leadership challenges. The program has been such a success that it has gone global. We now have 470 reverse mentors working over 300 senior leaders in 22 countries, touching every region, which has allowed us to view the changing consumer experience with different perspectives. We can see that our young mentors, our internal influencer panel, and they are an excellent

representation of our idea of leadership from every chair. Several of our dynamic young reverse mentors are here today, and I like them to stand and be recognized. There is also my reverse mentor in that group. I encourage you to ask them question about our program, which is truly unique during the break or the lunch.

Consumerized employees are increasingly drawn to purpose driven brands and companies. We've a long history of giving back and improving the places where we live and where we work. We are proud of our many achievement in this area. Today, we are taking our mission to a higher level, and accelerating our ESG efforts by announcing new goals, which will be integrating into our strategy of business operations. We have established new goals across numerous focus areas. I will highlight a few that involves packaging ingredient transparency and energy and emissions.

First, we are setting a goal to have 75% to 100% of our packaging to be recyclable, refillable or reusable by the end of 2025. Next, our ingredient transparency, by the end of 2025, we will develop and make available online a glossary of key ingredients used in our products, which will include descriptions of their purposes.

Concerning our environmental impact we will build upon our current net zero carbon emission commitment, and by the end of 2020 set science-based targets covering our scope 1, 2 and 3 emissions. These efforts are important to us as responsible corporate citizens. We have created new goals in other areas as well and we'll continue to further our efforts. More details about our ESG goals are included in our Investor Day materials.

As global prestige beauty continues to rapidly evolve and developed, we also recognize the need to continuously adapt. We have established a transformation office that is giving us the mascot to add the change agility of a startup to an organization has developed clear advantages of scale. We are creating an industry leading capability to always anticipate the needed changes. The ability to transform is now embedded in our culture is not a one-time reactive event. Our business model is summed up with internal phrase, run to win today trust for to lead tomorrow.

In closing, we believe we are the best diversified pure play in a league of our own, with strong consumer loyalty and pricing power, and a proven strategy to continue delivering profitable long-term goals. Our position of strengths give us the confidence that we'll continue gaining share in our very attractive industry.

Over the next three years, we expect to continue strong sales gains. We are confident we can achieve our goal of 6% to 8% annual growth in constant currency among the highest of any consumer product company. We expect to improve our margin while growing EPS double-digits. Importantly, we have an impressive bench of experienced global and diverse talent. You will see some of them this morning. Most of them have been with our company for many years and are dedicated to its success.

We have developed a wonderful culture of collaboration. We are building on each other's strengths in a unique way, which I hope will become evident in today's interactions. They know each other's business so well, they can finish each other's sentences. In my opinion, they are the best of the best in the industry, and the reason why our winning strategy is consistently executed with excellence.

This concludes my opening remarks. Thank you very much for your attention. And now it's time to introduce the first deep dive. Please welcome John Demsey, Executive Group President, who oversees many of our brands; and Andrew Ross, Executive Vice President, who will talk about the power of our portfolio.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

Thank you, Fabrizio, and good morning, everyone. I'm John Demsey.

Andrew Ross

Executive Vice President-Strategy & New Business Development, The Estée Lauder Companies, Inc.

And I'm Andrew Ross.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

And this morning Andrew and I are going to talk to you about the power of our brand building and brand scaling capabilities combined with our strategic portfolio management and unique approach to M&A, all of which drive consumer love and which continue to power the company's sustainable profitable growth into the future.

We are the proven brand building and brand scaling powerhouse of the industry. 10 years ago, our net sales were just above \$7 billion. We had a portfolio of 27 brands, three over \$1 billion and others below \$500 million. What you're seeing on the chart is a sample of our brands and it is not all encompassing. Today, our net sales are approaching \$15 billion. Our portfolio stands at 30 brands.

Last year, we graduated a new brand to the \$1 billion club, Crème de La Mer. Over the last 10 years we have also grown several of our smaller and medium size brands to become the next contenders for the billion dollar brand status including Jo Malone London, TOM FORD Beauty, Aveda and Bobbi Brown. Newly acquired brands such as Too Faced are poised to leverage the power of our geographic and channel reach to join them. We are consumer inspired, brand lead, and creativity driven. Brand building is at the core historical strength that we have as an organization and we are leveraging and supercharging through the unique combination of creativity, data-powered insights and technology.

Our founder Mrs. Estée Lauder and the Lauder family built and reinforced four enduring strengths of our company, centered on the global consumer. These have always included, first, uncompromising product quality and high touch service and relationships, a powerful and distinctive creativity at the center of the company, a strong aspirational brand portfolio second to none, and finally, brand building distribution. These strengths continue to be and serve as a strong foundation as we grow.

Over the last 10 years, we have enhanced and accelerated and added to our historical brand building strengths for the future through the following. We have increased data consumer insights, delivered by investments in our digital capabilities as a company across the globe, increasingly powerful product innovation driven by our Europe product strategies, digital first storytelling through advertising and our direct to consumer channels, and lastly, continuous investment in the talent and diversity of our employees. Our enduring strengths combined with the new digitally enabled capabilities give us confidence that we can continue to grow existing and new brands into the future. This unique combination in our brand building is the secret sauce that respects our deep heritage and is not afraid to challenge the status quo.

Our brand-building strengths when paired with a clear consumer lens on the drivers of commercial success, again powered by data-driven insights and execution. In today's world, more than ever, trial is an investment. We optimize the cost of acquiring new customers by using data and insights to target to high-affinity audiences for our products and brands. Our obsession with the quality of our products and the consumer experiences creates loyalty and repeat usage. Consumers love the results they get when they use our products, and as a result continue to use them more.

We reinforce consumer loyalty by leveraging creativity and data-driven insights to understand and then further improve and amplify our product benefits, High-Touch service experiences and consumer connections to keep them coming back again, again and again. Loyalty drives profitability. Maximizing the return on our investment from consumer acquisition is important. The cost of retaining a consumer is 60% lower than the cost of actually recruiting a new one. The power of this virtuous cycle can best be illustrated by the spectacular success and results of the Estée Lauder brand overseen by Stephane de la Faverie and Jane Hudis, where repurchase rates are 25% higher than typical prestige beauty benchmarks.

We are better positioned because of this mix of enduring strengths and enhanced digitally-enabled capabilities, which enable us to make connections in profound new ways. I will bring this to life to you with a few examples from the M·A·C brand, which I had been associated with for over two decades. But first, I'd like to talk to you a bit about product innovation more broadly at The Estée Lauder Companies. And as Fabrizio said, the last 10 years of sales was driven by product innovation, which has increased by 10% to nearly 30% of total sales this year.

Innovation is critical everywhere but particularly in the lip category, where newness drives the market. A wonderful fact that we like in our industry is that the actually average usage growth of lipsticks over the past years has phenomenally grown. Ten years ago, the average woman used two to five lipsticks in her daily routine. Today, she uses 5 to 10 around the world. The lip category's incredibly important in the beauty industry because it is usually the first purchase that a customer makes in the beauty realm and it is the broadest recruitment vehicle to bringing people into prestige from the more mass market, in emerging markets as people graduate from mass to prestige. This is one of the key building blocks of growth for a pure play prestige company.

Now, lipsticks, the M·A·C brand is the global prestige lipstick powerhouse. We are the number one prestige lip provider worldwide, selling nearly 2.5 lipsticks every second, every day, across the year. This year, the M·A·C brand recently launched a new innovation called Powder Kiss. Using consumer insights data, we knew that customers loved the M·A·C look, but we're dissatisfied with the drying effects of most M·A·C products already on the market. A M·A·C look comfort and long wear are what women are looking for. For creativity, we drew upon the brilliance of our M·A·C artists leveraging blending techniques used in backstage at fashion weeks around the world and in photo studios to create an innovative new product.

The Powder Kiss line-up is a huge success, becoming the M·A·C brand's number three lip franchise within the past 12 months of net sales exceeding \$145 million, which they continue to fuel this growth with new brand, trend-driven shades and activations, more to be seen in the months ahead. We apply the same combination of data-powered insights and creativity to our commercial activities as well when we talk about our lip business at M·A·C.

The M·A·C brand's Strike of Kings collection in China brought gaming and beauty together in a new way. We use data and creativity to bring together five powerhouses to drive traffic and buzz. This was a profound collaboration between the M·A·C brand and Tencent. With the number one videogame Strike of Kings, a videogame in the world, which has an audience that is half female. Four top Chinese influencers, a top Chinese fashion photographer and the power of Tencent to drive WeChat engagement. This was a product collaboration activated online and in-stores that consisted of special [ph] Deco (00:45:15) lip products based on the five heroines of the game. And a special shout out to Joy Fan, our General Manager of China who is here with us today who oversaw this activity with Philippe Pinatel, the Global General Manager of M·A·C. We saw incredible results from this collaboration. It drove our total lip sales up 84% from the previous year in China. And between [ph] Teemo (00:45:43) and Brand.com, 14,000 units were sold in the first hour after the launch itself. And on social media, there were 2.3 million impressions from the official launch, and 300 million in the total campaign-wide video views seen on Weibo.

As gaming continues to be extremely popular all over the world, M·A·C now is formalizing collaborative plans and strategies with other gaming activities and influencers around the world globally. And for those of you who have young men or women or yourselves at home, this is a very exciting trend in society and for the beauty business. We also use data driven insights and creativity to make connections that allow us to respond quickly to the market and influence our trends with our internal manufacturing and development capabilities.

I want to give this final example of the taking of a dormant asset and making it into a global powerhouse. In China, an existing lipstick shade called Marrakesh, which had global sales of 700 units a month, started gaining momentum as an [ph] IT-shade (00:47:03), thanks to the emerging color trend called Red Pear. Now, you might ask what is red pair, Red Pear is luscious and a Red Pear after all. And consumers found that Marrakesh was the perfect shape and texture to achieve this luscious transparent sort of coral spicy look. And M·A·C was quick to see and to activate this as an opportunity, increasing social activation, which influencers through the travel retail channel and drawing upon the [ph] #MACRedPear (00:47:44). The brand engaged strategically with top influencers and makeup artists on platforms such as Vevo, WeChat and Redbook in China collaborating with Olivier's travel retail team to further amplify this sort of groundswell growing trend emerging in the marketplace. This was the activation that went around the world.

Results were truly spectacular and very strong given our agility to sense and to amplify the trend and to quickly respond to the supply demands and requests for the products around the world. To give you just sort of the scope of what I'm talking about, a dormant basic asset in the brand suddenly goes on trend and goes from selling 700 units a month to at a high point 230,000 units a month and on average now 150,000 units a month all over the world, in every market all over the world, with customers all over the world.

Estée Lauder just doesn't build brand equity, but we are also amazing brand scalers due to our high quality global consumer reach. We can reach target consumers by brand, by geography and by channel, each which act as individual and collective engines of growth, well-diversified and balanced. We help brands to succeed with the right channel for the right market, including the fastest-growing channels we have identified through our compass, online, travel retail and specialty-multi. Our online to offline direct-to-consumer capabilities help strengthen our one-to-one relationship with the customer and the power of our data-driven insights. We just don't show up but we show up beautifully and with impact in a High-Touch experience that is right for each brand, each channel and each local market. As you can see in the following examples, this is actually the Clinique pop-up shop in New York City's SoHo, focusing in on Clinique iD, which Jane Lauder will share with you more, which is really a revolution in the spirit of the origination of customized skin fit that the brand started over 50 years ago. And please do have your skin analyzed by our virtual reality tool that is out in the coffee area.

Secondarily, this is an example of how Estée Lauder shows up in travel retail. We just don't enter into the Chinese Lunar New Year. We have a party and we celebrate and we sell. And lastly, here's an example of Le Labo, our very cool artisanal brand that really is all about quality of experience and almost a slow fashion, slow retail approach to experiential ingredients and customization and experience. And this shows you how the brand shows up online.

Jo Malone London is a very powerful example of our company's ability to drive global brand scale, while enhancing equity and simultaneously driving the entire fragrance category. In 2009 Jo Malone London's net sales were less than \$80 million, today the brand is approaching over \$700 million at net, with presence in nearly 60 markets and a half a dozen channels. Jo Malone's path to global success began, most importantly, in its home market, the United Kingdom. And that's where we established the brand and continue to evolve it. It's where we define the brand, remaining true to its founders' artisanal philosophy, but also expanded it to create a distinctive British fragrance brand that could be exported around the world.

We then carefully grew our global reach, tailoring our approach by channel to each market. As successful as the brand has been, there is much, much, much more room left to grow. Even in our home market, Jo Malone is in less than 20% of the distribution of the number one player with – we're literally just a few million dollars away from overtaking in rank. Now that I brought to you and shown you how The Estée Lauder Companies are both brand builders and brand scalers, with an uncompromising focus on high quality repeat products.

I'm now going to introduce my colleague and friend, Andrew Ross, to talk about how we manage across our portfolio of brands. Andrew?

Andrew Ross

Executive Vice President-Strategy & New Business Development, The Estée Lauder Companies, Inc.

Thank you, John. The third key message that John and I would like you to take away from this session this morning is that we are strategic portfolio managers. Our well-balanced brand portfolio is growing faster than overall prestige beauty. This is the result of deliberate choices shaped by our rigorous and unique strategic planning process. We look at our portfolio across multiple dimensions of segmentation to identify opportunities for profitable growth for our existing brands as well as white space on which to focus our new business development activity.

So, we think about segmentation, we look at our portfolio by category, by geographic footprint, as Fabrizio mentioned earlier, by channel, by demographics and all other dimensions of inclusion, by price segment to ensure that we're covering the whole range of potential prestige opportunities from recruitment from mass to ultra-luxury and increasingly leveraging our data-powered insights, psychographics to target specific consumer need states, usage occasions and benefits that enhance loyalty and repeat purchase as John mentioned earlier.

For example, the Aveda brand recently identified through consumer analytics that it was talking to only a small proportion of the consumers with which its brand positioning and high quality products resonate. Aveda has incorporated these insights into its digital marketing and communications plans to generate high ROI recruitment. This gives us confidence that the brand has untapped potential to continue to grow with an even broader target consumer. Our comprehensive approach to segmentation helps identify where the growth is in the market, where each brand should play, and how it can win by satisfying consumers' needs. As Fabrizio says, it keeps our boat in the wind and powering premium growth. We make our strategic portfolio choices through our unique future-focused approach to strategy.

We start by looking out 10 years and envisaging what we believe the industry will look like. Starting with consumer demographics, psychographics and volumes and then translating that to perspectives on market, channel, consumer segment, category and subcategory growth. We think about potential new and improved technologies and digital innovations and how we can harness these opportunities. We then reverse engineer our plans to win where we believe the growth and the profit opportunities will be using our three-year ruling corporate strategy to make critical decisions about priorities and resource allocation. Each brand, region and function then creates its own ruling three-year strategy as well as a one-year detailed budget and operating plan to drive and track execution.

This process uncovers insights and opportunities at every stage and enables us to lead in brand building and execution and in acquisition and investment opportunities, evolving strategically to address the growing areas in the market. It also allows us to respond to the rapid evolution of consumer values and preferences and manage the market and macroeconomic volatility.

As part of our future strategy, we will keep our boat in the wind with both our existing portfolio and with M&A. We know how to create value from M&A. Acquiring and scaling brands is part of our DNA. More than two-thirds of our sales growth since 2009 has been driven by brands we acquired since 1994. Our value creation track record is impressive. We estimate that our portfolio of historic acquisitions has delivered more than 21% return on invested capital in line with the company's historical average.

In our new business development activities, we leverage our strategic portfolio approach, proven-set of screening criteria and a complete toolkit of structures from full acquisition to minority investments to participation in startup networks like XRC Labs and Silicon Foundry to identify opportunities. Since 2014, our acquisitions have focused on three strategic themes. First, new channel penetration, accelerating our shift to high-growth, brand-building channels like specialty-multi and expanding or subcategory and target consumer reach through the acquisition of GLAMGLOW, BECCA and Too Faced.

Second, ultra-prestige fragrances are growing faster and delivering higher profit margins than other areas of the fragrance category. Our recent acquisitions in this space Le Labo, Frédéric Malle and By Kilian make us leaders in the transformation of the fragrance category toward owned ultra-prestige brands.

Our third area of focus has been incubation and new geographies, building options for future value creation like DECIEM and by accessing new business models and entering new emerging markets with our minority investment in Dr. Jart+. Every acquisition also enhances or contributes to our capabilities, which we can leverage across our portfolio.

M·A·C brought us color development expertise and premium-quality cost leadership, especially in lip, as you heard from John earlier. Too Faced and BECCA brought us new digital storytelling capabilities out of store, together with in-store expertise in consumer engagement, especially in specialty-multi. We learned from them and used these insights for the latest launches of our brands, for example, the M.A.C. brand and Ulta in the U.S.

GLAMGLOW brought us new ways to think about innovation, packaging design and speed to market in a new subcategory, masks. Joe Malone, as John said, taught us how to build and scale a local brand outside of our North American home market.

We leveraged these capabilities broadly, while respecting every brand's unique and beautiful equity. We don't talk about integration, we talk about empowerment. And like our strategy, we have developed a proprietary process. New brands retain their differentiation and are empowered to drive their growth the right way. For example, we've worked side by side with the Le Labo brand to accelerate their global expansion, while preserving their unique consumer experience and soul-based culture that John described earlier.

At the same time, we connect new brands to our functional capabilities, insights, research and development, manufacturing and global reach by channel. Our strategy process defines a roadmap and ensures that the right resources are in place, driven by the brand to grow profitably. This model allows us to seamlessly add new brands to our portfolio and to fuel our multiple engines of growth.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

So, in summation, I'd like just to reiterate the following points. We at the Estée Lauder Companies are brand builders and we are brand scalers. And if there's one [ph] key gem to be – leave with (01:01:14) is that at the center of everything we do is the customer, and product quality and consumer engagement and innovation,

leveraging our creativity and insights of what this company is all about. It is the combination of product quality with High-Touch experience and emotional connections that drives the profitable repeat and loyalty of our company.

We are strategic portfolio managers. We are proven brand acquirers. Both Andrew and I will be back later to take questions. But in the meantime, I would like to introduce my friends and colleagues, Jane Hertzmark Hudis and Dennis McEnry to talk about the power of digital and e-commerce. Thank you.

Jane Hertzmark Hudis

Group President, The Estée Lauder Companies, Inc.

Good morning, everyone. We're here to talk to you today about two key engines of growth, the power of digital and e-commerce. As you heard from Fabrizio, our global digital agenda is a key enabler of our company's strategy and leverages our enduring strengths. We've always been a brand-building company that is creatively driven and consumer inspired, delivering a High-Touch luxury experience with truly exceptional product quality that keeps our consumers coming back. Now we are leveraging digital to amplify our unique strengths.

In the last 5 years, we have driven a shift from traditional advertising to digital-first marketing. During this time, our company has more than tripled its digital media mix from 22% of advertising spend to 75% today. Our brands have moved from creating single-print ads one at a time, to this year deploying 150,000 digital-first assets across social and digital platforms.

Here are three examples; one from Bobbi Brown; another from our luxury brand, La Mer; and one from a digitally native brand, Too Faced. Not only do these digital-first assets amplify our company's core strengths in creativity and storytelling, they also drive higher reach at a lower cost, delivering a 10x ROI versus traditional media.

We are also forging authentic influencer relationships that range from celebrities to micro influencers. And we are leveraging our global network of over 100,000 beauty advisors. In fact, more than 40% of the company's brand-related content comes from consumers, creating two low-cost, high-engagement marketing vehicles that will only accelerate. Importantly, we are focusing these digital investments against our hero products which have the highest consumer acceptance and repeat purchase. Some of our most iconic heroes include Estée Lauder's Advanced Night Repair and Double Wear foundation, Clinique's dramatically different moisturizing lotion, M·A·C's Studio Fix foundation, and Tom Ford's signature fragrances to name a few.

These longstanding products have repeat purchase rates in the range of 40% to 60% and growth that is two to three times the average. They are being amplified by digital and having a big impact on our company's growth today. In fact, there are over 100 hero products in our portfolio. With this powerful model focused on our heroes, we are able to scale our digital efforts and accelerate future growth.

Through Leading Beauty Forward, we have freed up funds to fuel our advertising spend over the next 3 years, giving us the ability to scale quickly versus our competitors. We are harnessing data to enhance personalization and scale the effectiveness of our advertising. Our digital media optimization effort is driving greater efficiency estimated over \$30 million annually, and this should increase every year. Digital enables us to expand our reach to millions of global consumers that we never could have access before at a fraction of the cost. And our digital efforts are localized by market, by our talented teams on the ground connecting our marketing creativity and direct-to-consumer insights. Our unique model focused on our product heroes delivers advertising scale that is locally relevant and positions our brands for even higher growth and higher returns for the future.

Beauty is made for digital and digital is made for beauty. Digital propels our category and when paired with the power of e-commerce, the velocity is even greater. Dennis will now talk to about our company's industry-leading e-commerce business and the bright future that lies ahead.

Dennis McEniry

President of ELC Online, The Estée Lauder Companies, Inc.

Thank you, Jane. Now let's turn to e-commerce. Globally, e-commerce retail sales were estimated at \$2.8 trillion in 2018, growing at about 21% CAGR over the past 5 years. Our company outpaced the market growing at a nearly 30% CAGR during the same period. We were the first prestige beauty company to launch e-commerce with Clinique.com more than 20 years ago. Today, we are the number one e-commerce player in the U.S. prestige beauty industry, with over \$1 billion in net sales last calendar year, growing more than 20% versus the prior year. And globally, our company is the number one player in prestige beauty in e-commerce.

We expect about \$2.8 billion in net sales this fiscal year. This is more than double what it was only 2 years ago.

Our e-commerce business is in more than 50 countries. We have over 300 brand.com sites, over 60 brand boutiques on platforms such as Tmall, and over 1,600 retailer.com doors. E-commerce has long been one of our highest growth channels and we expect consistent double-digit growth over the next 3 years.

In our top six markets which make up nearly half of our online sales today, e-commerce already drives close to 30% of our total business and we expect more than one-third of global business to come from e-commerce in the next three years. E-commerce is also highly-profitable and accretive channel for us both in the U.S. and internationally, driven in part by lower acquisition costs from digital and low product returns. We've consistently grown profits faster than sales. We have more than doubled our profit over the last 3 years and expect to nearly double it again in the next 3 years due to the productivity of our model.

Now let's dive deeper into our brand.com sites. Our brand.com sites act as 24/7 media platforms, serving of rich content to anyone, anywhere, at any time. We have over 500 million visitors this year who spend up to 9.5 minutes on average engaging with our brand content. This would be the equivalent of billions of dollars in media value. Our brand.com sites are also our richest source of consumer data. We collect over 200,000 data points each day. Our teams uses data in real time to understand and analyze trends and to refine our marketing efficiency. We're just beginning to tap into this possibility of using this data, there's so much more to come.

We're working in markets around the world to connect our brand.com sites to our freestanding stores to create a seamless omni-channel shopping experience such as buy online, pick-up-in-store, which we see here on the Jo Malone site that we have in the U.S. and in U.K. This connection allows us to increase loyalty and repeat purchase. We know that on average consumers who shop all channels tend to spend three times as much as a single channel consumer.

Now, let's turn to our online boutique business. We launched our first online boutique in 2013 on Tmall. Today, it is the world's largest online luxury mall and we are a top beauty house on the platform. We currently have nine brands live and more to come. Our Tmall business grew over 10x in the past 4 years. In fact, this year we generated \$150 million at net in 24 hours on 11/11/2018.

Finally, let's touch briefly on our retailer.com business, which allows us to reach more consumers in more markets. We are the number one player on retailer.com in the U.S. We're also number one in many international markets as well. We are growing our international footprint, especially on new online-only retailers such as ASOS

in the UK. As Fabrizio mentioned, we see significant white space opportunity to continue driving e-commerce growth by both increasing penetration in our existing markets and expanding geographically.

We plan to add 60-plus brand sites in 20 high-potential countries over the next 3 years. Imagine, bringing up the e-commerce penetration in our smaller markets to U.S. or China levels would result in an additional \$2 billion of sales. We think and act like a tech company inside a beauty company. We are laser focused on innovating beauty in the digital space by bringing High-Touch online through experienced online beauty advisors, virtual try-on, customization and more. But unlike a tech company, we're 80% female, 65% millennial with on the ground team members in over 50 markets.

To sum it all up, our deep consumer understanding combined with our e-commerce expertise allows us to recruit and retain consumers more efficiently. We see many opportunities to double our consumer base and expand our margins in this high-growth, high-profit channel.

We are excited to continue innovating to grow our lead as the number one e-commerce player in prestige beauty. Now Jane will bring the combined power of digital and e-commerce to life by showing an example from the Estée Lauder brand that our company is duplicating across all brands and across geographies.

Jane Hertzmark Hudis

Group President, The Estée Lauder Companies, Inc.

Our flagship Estée Lauder brand was founded in 1946. Today, it is the largest in our portfolio. The brand's recent Advanced Night Repair Eye launch in China illustrates the incredible power of our model. The core concept around blue light came from a Chinese consumer insight, bringing instant local relevance to both the product and the communication. The Lauder brand harness the full power of Chinese very advanced and unique digital eco system to drive trial, engagement and repeat at scale. The message was pushed out in Weibo and WeChat to over 300 million consumers. Awareness was amplified through one of China's biggest influencers, Yang Mi, engaging her 80 million followers. Trial was powered through Tmall, reaching over 600 million consumers around the country.

Here's what it look like across all channels and touch points, from brand.com and Tmall, to sampling online and offline, and in freestanding stores and in department store, all with consistent messaging, recruiting new consumers and engaging them in personalized experiences across channels.

This launch haloed the brands hero, Advanced Night Repair serum, which has a repeat purchase rate of over 40%, driving the Advanced Night Repair franchise and the brand's China business up double-digits for the first half of this fiscal year. This unique D2C omni-model leveraging the scale and velocity of the China market and delivers unprecedented reach. Just 5 years ago, the Estée Lauder brand had a physical store presence in over 60 cities in China, and its advertising focused on TV and print was largely local tied to physical distribution. Today, digital advertising and e-commerce along with Tmall, give Estée Lauder national reach to over 650 cities where consumers can buy online, delivering unprecedented scale and efficiency.

In fact, our model in China no longer requires physical distribution in every single city, resulting in brick-and-mortar productivity that is the best in the world. For example, the brand's largest counter in Wuhan Plaza does over \$13 million in retail sales per year, which is significantly bigger than any other flagship in the world.

In addition, this model delivers growth beyond China, especially in travel retail with 30% to 40% of the travellers come from cities where Estée Lauder is not distributed today through physical stores. The beauty of this model is that the Lauder brand is executing this exact digital consumer engagement model not only in China, but in the

United States, in Europe, in all markets around the world. Digital, in fact, is driving the recruitment of a new generation of younger consumers, which on our heritage brand is now one-third millennials, and this will only accelerate.

Today, Lauder is one of the biggest and fastest growing grounds in beauty. Most importantly, Lauder China, the example I just showed is just one example, one brand, one market. In fact, as a company, our teams are scaling this digital model across the entire portfolio, think of 30 brands, think of all our geographies, creating significant upside for the future.

As we look to the future, this combination of digital and e-commerce leadership unlocks powerful engines of growth for our company. It enables us to continually recruit younger consumers in all of our brands, and this should only accelerate. In addition, emerging markets represent a significant upside.

Dennis McEniry

President of ELC Online, The Estée Lauder Companies, Inc.

Historically, the lack of luxury brick-and-mortar distribution has constrained our opportunity in emerging markets. However, mobile penetration is changing the game. Countries like India, Brazil, Indonesia already have a sizeable base of smartphone users and creating opportunities for us to leapfrog traditional retail. In these emerging markets, we will leverage our direct-to-consumer omni-channel model to unlock their potential. You'll hear more on emerging markets from Cedric just a bit.

Jane Hertzmark Hudis

Group President, The Estée Lauder Companies, Inc.

John and Andrew talked about the critical role that M&A will continue to play. Now, imagine applying our digital reach and global e-commerce platforms to newly acquired brands that did not have this opportunity before. The speed, scale and value creation afforded by our model are huge. It also enables us to invent new winning business models that we can quickly scale for the future.

In summary, these two key engines of growth, digital and e-commerce, power our future with even greater velocity, higher returns and more upside opportunity than ever before.

And now, it is my great pleasure to introduce Olivier Bottrie, Global President, Travel Retail and Retail Development, and my dear friend, who is going to talk to you about the channel of Travel Retail, a world of opportunity. Thank you.

Olivier Bottrie

Global President, Travel Retail and Retail Development, The Estée Lauder Companies, Inc.

Great job, guys. Very impressive. So the first of four French people, I have the worst accent [indiscernible] (01:20:30) for you. There are many reasons why I am happy to be here today. Many of you can understand [indiscernible] (01:20:40) don't know. We see sadly my Major dad passed away recently. My dad was a military man, a General, and he expected me to find a service job, have a service career. So I went to law school. I got a masters, business, actually financial investments, how appropriate. And eventually I went to the military, left the military, looked for a job. And one day I called him, said, dad, I have a job. He said, what bank? I said, no, it's a cosmetic company. He was so disappointed. So today is a form of redemption for him, for me, I guess, and for him. So dad it's for you, wherever you are.

Travel Retail: A World of Opportunity, [indiscernible] (01:21:44). Travel Retail has been a key contributor to this company's success over the past 10 years. Net sales grew a solid double-digit growth CAGR in the past 10 years, with profit growing ahead of sales. [ph] We missed (01:22:12) business performance in the context of a very healthy beauty business in Travel Retail, which we said was estimated for calendar 2018 to be \$28 billion.

We have annual growth of 14% in the past four years, which is twice the rate of total beauty business as you heard earlier from Fabrizio. As Fabrizio mentioned earlier as well, the company has placed a special emphasis on this trading business and we are very pleased to report and this is truly amazing, it's Mona Lisa painting to me, that we've now become the number one prestige player in Travel Retail for the first time ever, adding almost eight points of share since calendar 2009. In calendar 2018 alone, we grew retail over 30%, which is about, we think, three times the total growth of this beauty market in Travel Retail.

Our company's unique model have three components. We leverage local market investments in product innovation, marketing, advertising as travelers often form purchase intent before they travel. Actually, while there's a lot we can do on our own in Travel Retail, our success reflects to a large part the hard work and success of our colleagues in local markets, local affiliates who are on the ground. And I need to thank them for that [indiscernible] (01:24:09) anybody else.

So again, we focus on key nationalities and travel corridors. You see here the simplified corridors, the Chinese, it's a bit more complicated than that, but that's the predication of things. The point is to be relevant with key nationalities where they may go, irrespective of countries in some ways. Finally, we extend our strategic presence across all the different channels, airports, downtown stores, inflight, aquatics or ferry or cruise ship, and increasingly online.

Our business is based on three fundamentals: traffic, spend per passenger and conversion. Travel Retail is truly a global marketplace, [ph] with shipper (01:25:10) coming from and most critically and increasingly lot of countries, a lot of emerging countries, like China, Russia, India, Brazil, where the fast-growing middleclass avid to visit the world, avid to purchase luxury.

Now, let's turn to why we believe the Lauder Companies is uniquely positioned to win in this high-growth marketplace. Our strategy is built on five key pillars. We have the tools and products to convert passengers into shoppers. We're focused on those travelers from emerging countries. We have the ability to expand our brands into highly profitable locations. We have unique go-to-market capabilities. We focus on new consumer acquisitions for our brands, while simultaneously building brand equity. Finally, we engage travelers digitally ahead of their journey.

Let's look at each of these pillars in turn. As mentioned, we have very specific tools and products that allow us to increase awareness, reach and conversion. For example, we engage the Chinese traveler pre-travel through social media campaigns or CRM targeting on our own efforts or joining with retailers. At the airport, we run geo-targeting campaigns to ensure they visit stores, or public engagement through product activation in non-traditional commercial areas. In the stores, we ensure that we have bilingual signage and staff to facilitate navigation and we create assortments to be relevant to targeted consumer groups.

[indiscernible] (01:27:20) we also create exclusive products to our business, once that un-serviced specific needs and desires of traveling shoppers. For instance, products that offer a sense of place, a memento of the trip people take. Now, I'm here.

We have significant opportunities to expand very profitably as Travel Retail [indiscernible] (01:27:46) very high profitability. All of our brands are, of course, focused on the highest potential draws, most, as you can see here, are in less than 15%, 15%, I repeat 15%, 16% of the potential current distribution opportunities. In addition to existing distribution, new retail opportunities keep popping up. In Shanghai alone, there will be 20 new opportunities in the next two years.

We continue to strengthen our [ph] outstanding (01:28:25) go-to-market capabilities. For example, we are attracting consumers. We've improved store design and digital merchandising, including latest generation [ph] counters (01:28:36). In fact, we install a new counter every 12 hours on average. Quite an amazing number, I believe. Our industry leading integrated marketing team comprise of shopping sites, social media, digital marketing and e-commerce, allows us to speak to travelers in truly distinctive ways. This fiscal year alone, we will launch about 270 Travel Retail specific digital campaigns. Finally, our Travel Retail product innovation group is enabling us to enhance our speed to market and critically the degree of innovation of unique product offerings. Again, this year alone, we will launch 200 such exclusives.

Recruitment is a very important role that Travel Retail plays for the company. Industry studies show that 59%, 59% of prestige beauty first purchase a prestige item in Travel Retail. Our responsibility, therefore, is to ensure that we provide the best environment and consumer experience possible. We achieve this in four ways. We, of course, install exceptional, permanent brand installations. What you see here is a brand boutique that houses Jo Malone London, M.A.C. and Tom Ford Beauty in Beijing Airport.

We also have large scale, out of home media opportunities. Here, this is actually a crop picture of a huge installation we have in Heathrow Terminal 4 in London that celebrated the launch of Estée Lauder's – I'm sorry, thank you very much, thank you. We also have marquee events, often working in alliance with local markets. This is an event that we were running in December in the city of Sanya in Hainan in China, where Estée Lauder global ambassador Yang Mi made a personal appearance with over 1,500 people in attendance and almost as many [indiscernible] (01:31:12). The event was broadcast live with exceptional performance as we reached over 200 million people [indiscernible] (01:31:22).

Finally, we have large-size exhibitions of our brands in high-traffic, high-visibility areas. Here's the Jo Malone Traveling Townhouse in Heathrow T2, again in London, a truly arresting, three-storey installation. This example show how Travel Retail has evolved from being almost exclusively a value play to one that truly builds luxury brand equity with new and existing consumers.

Digital plays a growing role in the Travel Retail space as it does, of course, in the rest of the company. You have Jane and Dennis earlier on this. While in the past brands and retailers could only speak to passengers at the airport, we now have the ability to engage with them days, weeks, sometimes months ahead of travel.

We work to showcase our brands in a traveling context and to allow consumers to purchase before they travel, with pick up at the airport from dedicated counters. We call this travel pre-tailing. This is all the more critical as we know that two-thirds, two-thirds of purchase decisions are made before consumers actually travel.

It's also why we believe that we have a fantastic opportunity to grow conversion with the accelerated development of e-commerce platforms by our partners. As an example, and I mentioned this earlier during breakfast to two of you in the room, the in-flight model is rapidly evolving so that travelers can pre-purchase online and arrange for either gate-side or on-seat delivery of a product.

We've seen a flurry of press articles that comment on the fantastic development of Travel Retail around the world. Airports are increasingly privatized entities. They more and more rely on retail revenues to develop and as such engaged in a global competition to attract consumers. State-of-the-art retail facilities are a key component of their strategies. Retail in airports also benefit from growing global traffic, and as mentioned, from increasingly valuable shoppers.

Finally, and as it headed throughout this presentation, I believe, Travel Retail has moved on from the traditional duty-free model to become a fully-fledged marketplace, one that builds brand equity and recruit consumers. It is now a marketplace on its own merit, a thriving business, experiencing a massive digital transformation with respect and don't forget, we became the leader in this marketplace.

To close this presentation and as a matter of example, I would like to show you what a typical consumer journey looks like today, using one example, Estée Lauder, again, an example that is duplicated across brands in the portfolio.

[Video Presentation] (01:35:10-01:36:51)

Thank you. Thank you. So now, it's time for first panel of the day. And I would like to call my fellow panelists to join me on stage. First, please welcome Sandra Main, who is Global President, La Mer and Bobbi Brown; Stephane de la Faverie, Global President, Estée Lauder; and Guillaume Jesel, Global President, Tom Ford Beauty. Thank you. Thank you three of you for joining me.

The first question is for you, Stephane. How does The Estée Lauder activity in [ph] TFB (01:37:44) brand equity and support brand building activities in local market and vice versa?

Stephane de La Faverie

Global Brand President, Estée Lauder, The Estée Lauder Companies, Inc.

Yeah. So, I'm the other French guy, but I was like born in the U.S., so you'll decide [indiscernible] (01:37:55) still French. Anyway, to thrive in this business and in Travel Retail, you have to be a citizen of the world. And I think like demonstrated this morning in many presentation, we put the consumer idea at the center of everything we do.

And I think today when you look at the way we approach Travel Retail, it's one part of the consumer journey. And the consumer basically sees The Estée Lauder brand as one brand and I think we need, it's important, that we give a seamless experience wherever this consumer comes from a counter in the local market or she comes from online or from social media to the airport. And that's very important that basically this experience is absolutely seamless.

The disability is first created in local market, but like you demonstrated this morning, very often also the airport is the first place, where she or he will discover the brand somewhere in the world. So, the important of creating seamless and a very desirable experience is absolutely critical. I've had the pleasure to discuss with some of you this morning and you flew in like yesterday or day before and you saw many of the opportunity that we have of out of home in some of our airports that are really helping to build these desirability around the world and truly showcase the -- our brand where they are.

The example you showcased this morning in the Heathrow Terminal 5, we are able to touch 30 million travelers every year with our brand and our visuals. Another example, few minutes away from here, actually in good days at JFK, where we have multiple podiums [ph] viable (01:39:35) in any given months to touch 800,000 consumers and really announcing the launch of our product that we're enduring in the local market. So -- and in addition, one

thing that Olivia you've been absolutely passionate about it is how we're amplifying actually the investment done in the local market and use Travel Retail as a [ph] rely (01:39:57) of basically this investment and being able to showcase in the best big shows or launches.

And so in conclusion, we have multiple ways today to build brand equity in Travel Retail either as an accelerator or what we are doing in the local market, but also at the same time in [indiscernible] (01:40:17) in Travel Retail when she or he discovers the brand for the first time and really being able to tailor the need to the consumer. So, I think really, Olivia with your team in partnership with the local market and the global brand, we've been able to really create this desirability and this exercise of brand equity that truly has resulted today in building the Estee Lauder brand as the number one beauty brand in [indiscernible] (01:40:42) in Travel Retail around the world.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Thank you, Stéphane. Sandra...

Q

Sandra Main

Global President, La Mer and Bobbi Brown, Estee Lauder Companies, The Estée Lauder Companies, Inc.

Hi.

A

Olivia Tong

Analyst, Bank of America Merrill Lynch

[indiscernible] (01:40:49). How does your business differ from local business? And, are you [indiscernible] (01:40:57)?

Q

Sandra Main

Global President, La Mer and Bobbi Brown, Estee Lauder Companies, The Estée Lauder Companies, Inc.

So, before I answer that question, I am not the fourth French person. I am actually half Chinese and half Scottish and joined the company 23 years ago from Hong Kong and John Dempsey, I want to make sure do I have the [ph] red pair look (01:41:09)? Sweet, luscious and juicy. Yes. He said yes and that's probably where [indiscernible] (01:41:14). I had to plug that in.

A

On the other brand and moving on to the other brand that I work on and adore and love is La Mer. So, La Mer basically, our strategy at La Mer is no different from Travel Retail and the local market and we take a hero product strategy approach. But what we do specifically for the Travel Retail channel is we speak specifically to that traveling consumer. And we have a storytelling moments that really talk about the traveling consumers' needs. A great example of that is this campaign that we've been doing now for the seventh year which is called Arrive Hydrated. So as many of you guys may know and perhaps hopefully are using our number one product at La Mer is Crème de La Mer and it's known for its deep healing hydration benefits. What we also learned is these benefits are extremely long lasting. And for consumers who take long-haul flights, we realize that their skin condition would be quite sensitive, irritations and drynesses. So we speak to that in terms of the communication around the Arrive Hydrated campaign, really speaking about the benefits it could do when you use this product when you are travelling.

And, of course, so many of our other products also have similar benefits within our brand. We've extended the storytelling throughout travel usage regimens, so we can expand across other key pillars within our brand and our businesses. And as a result, as Olivia [indiscernible] (01:42:41), in the past four years, our business has grown in the top Skin Care brands plus 33%, in the top Skin Care brands we are growing plus 33%. In addition to that, we

are only in 15% of Travel Retail distribution. And, we are still continuing to grow in every single region double digit growth. So, we're very thrilled to be working with you, Olivia.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Q

Happy to work with you too, Sandra. Thank you. Stéphane, this one is for you again. Traditionally and I mentioned that before, Travel Retail or duty free shopping has been viewed as a value play. How is it becoming a luxury experience for your brand?

Stéphane de La Faverie

Global Brand President, Estée Lauder, The Estée Lauder Companies, Inc.

A

Absolutely. It's very good question. So, I think like you demonstrated it this morning, I think we're really defining the notion of what value means in Travel Retail. We're now thinking value in term of brand experience and that's really what is the true differentiating factor from what it used to be in the past. We are adding all this high touch moments that provide consumer with a true luxury experience. So, for instance, we are leveraging beauty advisors in all our counters that are highly trained to basically being able to give the Skin Care and the Makeup expertise dedicated to a traveling consumer. We're also creating specific and unique campaigns. For instance, we've been working now for four years in a row with one of our largest partners, DFS, you know, to create the unique campaign designed for Travel Retail with unique assets, unique product offering, and also pop up to really announce the experience. And actually we've been extremely excited about the success and the last year actually has been a record breaking year because we have had the single best [ph] months (01:44:31) of any brand in DFS history.

So, today, really we are redefining this value and it's no longer just a traditional value of discount that any travelers may have had seen in the past with really giving the consumer this entire brand experience and really tailoring it for their needs.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Q

Thank you, Stéphane. The [ph] fourth Frenchman over there (01:44:54). [indiscernible] (01:44:56) get you, of course. How do you tailor them for beauty assortment and communication for TR, and does it vary region-to-region by consumer?

A

Working with you [indiscernible] (01:45:13) is a master class in learning how to do so and apply a brand that intuitively is very good fit for Travel Retail, because in the Travel Retail corridor, we have both men and women which is very much -- my brand is [ph] dual gender that are (01:45:27) very interesting aspirational luxury overall. However, in working with you guys learn that we need to tailor in Travel Retail both through the channel and also to the preferences of [ph] travelers (01:45:36) and each of them in corridors. From China and Russia or the Middle Eastern Africa, and obviously when we started, it was more a gear towards the Middle East Africa and Russia because we were a [ph] frequent Span (01:45:47) at first. But now that we are also a Makeup brand and it has changed quite radically.

So as a channel, TR is a channel in which consumers expect to find very well edited and compelling assortments of the best of the best brands and products. They are the most relevant to them in the corridor in which they are travelling in their nationality consumer down to the gender.

For Tom Ford actually today, it's an extraordinarily well diversified in terms of category growth engines. There are evenly balanced if you look at our business overall globally between fragrance and cosmetics. But we tailor this assortment to be focused on the hero products and big bets, they are the most relevant in each of the main travel corridors. So, for example, in Asia, we focus our assortment on Makeup, where it resonates the most with special attention to lipstick, which is our hero product in the region. So, in 2017, which is, if you wonder why we called that particular year as the year in which competitive data is available at present, Tom Ford gained 10 ranks in the Makeup category in TR to reach the number eighth global rank. Tom Ford lipstick reached the number four rank in Asia and in China, the number one rank in TR, that was within one year of launch. We launched Travel Retail in 2016. We launched China in 2016, and launched pretty much within one year became the number one. That is done by tailoring the assortment that came from, that's why I call it a master classes when you work with Olivia and his team, you launch a brand that, yes, intuitively has a good fit for the channel, you launch it a year later, you're number one in your hero product category.

So, conversely, in Europe, if you want [indiscernible] (01:47:28), we don't want to only speak about China, China is extremely important and relevant to this channel. We focus on luxury fragrance and we've done so for a longer period of time, and that's most notably important in markets that are to Tom Ford historically home markets almost, such as most notably in the Middle East or Russian travel corridors or even Africa, particularly, Nigeria where Tom Ford is also a winning brand.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Q

Thank you, [ph] Gill (01:47:52). Sandra, one more for you. You mentioned it briefly earlier, I like to understand how you convert travelers into shoppers in Travel Retail?

Sandra Main

Global President, La Mer and Bobbi Brown, Estee Lauder Companies, The Estée Lauder Companies, Inc.

A

Okay. So we strive to build a relationship with our consumers before, during and after their travel, because we really want to ensure that the experience with La Mer is a natural extension whether it's in Travel Retail or in the local market. And just referencing the video that Olivier shared on the Estée Lauder brand, we pretty much take a similar approach. And we see there's about seven different moments where you can actually engage with the consumer on a single trip. So the first one is being the pre-trip, and this is an advantage to us, because it allows our travelling consumers so much more time to now shop versus just being in the airport. So pre-trip, we will work very closely with influencers to create travelling content and beauty tips. In addition to that, we would actually deliver exclusive content to travel websites like Ctrip and which ultimately then flows into a pre-telling shopping platform online.

During the trip, there's maybe about five different moments that you can actually engage with the consumer, whether it's at the airport, whether it's in-flight or the downtown Travel Retail location. And as Olivier mentioned, 59% of prestige beauty shoppers purchase their first beauty product at an airport and that's kind of staggering, I didn't even know that until just recently. So it's important for us from a La Mer perspective to create a really best-of experience at the airports to drive trial and also to build the equity of the brand.

In addition to that, we also introduced about six to eight Travel Retail exclusives that are relevant to this consumer segmentation that we're targeting as well as at the airport or the location of where we're selling it. And services on La Mer, if you haven't tried one, please come and see me afterwards, I'm happy to book an appointment for you, it's a key point of difference for us on our brand. You can go to the airport and you can experience an on-the-go

experience, which is perhaps a pre-in-flight travel ritual or otherwise you can go to a downtown Travel Retail location and have a much more immersive extended pampering experience in a private [indiscernible] (01:50:11).

And then, finally when the consumer goes back home, it's important for us to reconnect them to the local store within their marketplace, to really drive and deepen their loyalty with the brand. But at the end of the day, it doesn't really matter where the consumer is, whether it's in a Travel Retail corridor or is at a local market. What's more important is to make sure that that consumer has that ultimate La Mer experience and it's consistent around the world.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Q

Thanks. Guillaume, the last question is for you. You [indiscernible] (01:50:44). It seems like it's a huge Asia play. Can you tell us what you do actually to be relevant to consumers in other corridors, not just the Chinese corridor?

Guillaume Jesel

Global President-Tom Ford Beauty, The Estée Lauder Companies, Inc.

A

Yeah. Absolutely. I mean, I think diversification and corridor matching are going to be the two themes here. And diversification by travel corridor is really central to the phenomenal success of Tom Ford in TR, where the brand is one of the fastest growing in the channel globally. And to give you some perspective in 2017, it doubled and in 3 years, it grew six fold. So I highlighted the success in the rankings that we were able to capture in Asia. We're also one of the fastest growing in TR worldwide in the fragrance category, primarily in the luxury fragrance category. So in 2017, Tom Ford Beauty ranked number 10 in fragrance in the Middle East & Africa and number six in the UAE, United Arab Emirates, particularly the Dubai Airport, which is very important to us.

The close alignment between the local market and TR and a holistic approach that some of my colleagues shared with you earlier is essential to win with a corridor approach. So we leverage data analytics to match the preferences of travellers. So basically looking first at passenger traffic data, but also looking at consumer preference by segment, male versus female and by nationality, because they have different preferences by fragrance.

This data-driven approach to corridor matching is leveraged not just on Tom Ford, but on the entire brand portfolio, and this is what drives Travel Retail to extremely high productivity. So today, Tom Ford Beauty is, with the rankings that I shared in Asia and Europe, fragrance and makeup, is able to reach those very high rankings, being present in approximately 8% of – as a full line, 8% of the Travel Retail distribution worldwide.

So overall just talking about luxury fragrance is very, very dynamic in the Travel Retail segment. And we think beyond Tom Ford Beauty, also The Estée Lauder Company is extremely well positioned to win with this segment with a diversified portfolio some of which recent acquisitions that we've mentioned earlier and particularly the strength of our portfolio in the luxury fragrance segment.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

Thank you, thank you guys. You stay here, Guillaume. Sandra, thank you.

Sandra Main

Global President, La Mer and Bobbi Brown, Estee Lauder Companies, The Estée Lauder Companies, Inc.

Thank you.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

And you Mr. Stephane, thank you as well.

Stephane de La Faverie

Global Brand President, Estée Lauder, The Estée Lauder Companies, Inc.

Pleasure.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

I would like to call to the podium or stand or stage with me Fabrizio, Tracey, EVP and CFO, and presenters who spoke this morning [indiscernible] (01:53:33) for a quick Q&A session before we take a short morning break, before we start again for the rest of the morning. [indiscernible] (01:53:47).

So Q&A sessions, I'm sure there are microphones going around the room. I see a few arms raised. Can the microphone go to the arms raised?

QUESTION AND ANSWER SECTION

Q

Good morning.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

Good morning.

A

Q

[indiscernible] (01:54:23) so thank you. My first question has to do with brand proliferation. We've all heard and worried a lot about niche brands, the number of new brands that are being launched in prestige beauty and the level of increased competition that might represent for you. I was interested specifically in some of the numbers you threw out about brand retention and the level of repeat purchases, but you didn't offer much in the way of historical context for that. So can you talk about specifically what those numbers would have looked like 5 or 10 years ago? Is it harder to retain customers? And specifically in China, can you talk about repeat purchase rates in China, specifically where it seems like there is especially lots of competition? Thanks.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

Yeah. I'll start with that and please John and Jane, in particular if you want to add to this, But first of all, what's happening is that the retention rates are going up. Your question is over the years. Our retention rates are going stronger. In China retention rates, particularly, in skincare brands are actually stronger than the average. Where is

A

the competition of, what you call, the proliferation of brands is mainly on trial. So this trial game has become more competitive and more difficult. And to win the trail game you need more scale. That's why our doubling of advertising, our increase of power, our distribution pivoting on fastest growing channels like we demonstrated like online, Travel Retail, specialty-multi, all these dynamic are making us more competitive in the game that has become more competitive.

Repeat continues to be managed and driven by quality. And on quality, really we are still ahead, actually getting better and better because of all the innovation progress with that. In other word, I'm sure you can see that, I've seen many consumers be influenced by marketing in trying product the first time. I don't know yet a woman that buy a product a second time if she didn't like it. And so, repeat rates are driven by quality, and that's our strength and they're getting stronger and not weaker over time.

Jane Hertzmark Hudis

Group President, The Estée Lauder Companies, Inc.

A

Just want to add one thing which is that both more focused on the trial aspect of this is that we have a very strong commitment to local relevance. And what that means is that we understand that the woman in China is very different from the woman in Korea and very different from the woman in Japan or Ohio or Spain difference. And we are committed with both our global brands, but also amazingly talented local teams that really are committed to consumer understanding. Who understands the Chinese better than a Chinese person, and you're going to hear from Joy Fan as an example later, and so by virtue of that understanding, we're able to tailor our communication or the claims that we choose to emphasize, all the different aspects of that we – just it really is the ultimate personalization, so that we can connect with these consumers and recruit them. And then as for Fabrizio says, the product quality is the repeat purchase which keeps them coming back. But that's specialness of machine and by virtue of our geographic reach and our talented teams in many, many markets all over the world, we really consider this to be a company strength.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

We believe that many of these brands will not be able to really achieve the scale needed to compete in today's world without really having that muscle, which the Estée Lauder Companies has.

Jason English

Analyst, Goldman Sachs & Co. LLC

Q

Hey, good morning folks. Thank you for allowing me to ask the question. Jason English from Goldman Sachs. I wanted to drill down onto the travel retail a little bit more. First, congratulations on assuming the leadership mantle, number one last year: quite a success. When you showed that market share trend, I guess I was surprised twofold: one, the magnitude of increase over the longer duration, but also the volatility, the up, down, and back up. I cannot help but notice the parallels of your market share slope with overall China market growth, which begs the question of, what did drive the volatility? Why did it – why did you go from strength to [ph] fade (01:59:29) to strong – to strength once again? Is it tethered to China and – and also on top of that – sorry, I'm kind of piling on, what percentage of travel retail is tethered to the Chinese consumer for you and how does that compare to industry overall?

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

So, a lot of questions in there. Let me start first with the question on the [indiscernible] (01:59:51) volatility of that chart. The generation numbers that you've seen here did not include sales from Korean brands until we did. So

the drop that you see from 2014 to 2016 for both [indiscernible] (02:00:10) and the two today in this is simply due to the fact that they added overnight all the current brand business to the equation. The pro forma of the Korean brands, we have seen more [indiscernible] (02:00:24) tune of actually mostly flat and we would have been growing [indiscernible] (02:00:31). Second question?

Q

[Question Inaudible] (02:00:36)

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

Share dependence. Overall we estimate that our total business in [indiscernible] (02:00:45) retail – again, it varies by brand greatly, so I guess you want an average of the company. We'll be around 50% to 60% today.

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

Q

Great, thanks. Good morning. Erinn Murphy, Piper Jaffray. I have two questions. First on China, you referenced the per capita spend \$23 versus the U.S. at \$255. Obviously, there's a difference in GDP per capita as well. What is the actual realistic kind of run rate of where that per capita spend should go over the next five years for China? And then on India, it seems like that's a significant opportunity. How does that fit in your priority set over the next five years? And then any update on Forest Essentials? I didn't notice that in your minority interests slide? Thanks.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

So on China, you will hear a lot more later. So, again in our interview, we would like to do this Q&A on what we discussed so far and then we will do the other part and have another Q&A. So we'll come back to China, but the – we were trying to show you a benchmark: \$23 today; Korea was half of what it is today just few years ago. So, the potential growth is enormous. Obviously \$23 is not the average of our target group. Our target group is already much bigger, and as Joy Fan will show later, the younger consumers in China are the most avid consumer of the world in Beauty. So, the potential of the young generator in China is unlimited: you will see later some striking number on that. The India is very important to us – and again, you will hear from the India General Manager later. India is a very big priority for us. Obviously India is starting from a much lower base than China, but a potential to grow, particularly now that India is becoming less dependent on infrastructure and store development because online is taking an acceleration, then India will be easier to scale in the next few years.

And as far as Forest Essentials, we are still minority investor of Forest Essentials: was not mentioned just because we didn't mention everything. Absolutely, we are still minority investor and Forest Essentials is a pretty successful brand, particularly in the skincare area of India in this moment.

Wait, to be clear: we are not deciding. I don't know how [ph] it is decided (02:03:16). I'm now guilty.

Q

Thanks for the question. You talked a lot about M&A and how it's – you've had a lot of success. So I'm just curious – and maybe Tracy will address this later in the second half of the session, but can you help us understand kind of where the state of the union is on M&A in terms of multiples and it was very active then the

kind of – kind of the spigot got shut off. So just wanted to understand kind of how you are thinking about that and do you see opportunity out there, especially as you think about more local relevance and some of those local brands that are emerging?

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

Do you want to [ph] take it? (02:03:53)

A

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

So M&A is – continues to be a very important part of our strategy and while we haven't closed a transaction recently, we have been very, very busy and we continue to be very busy looking at opportunities. I could probably complain to you all day about multiples [ph] and say (02:04:10), but we're really focused on making sure that we are finding the right value. And I think historically and guided by a very strong set of screening criteria and a very strong governance process, we spend a lot of time both on the strategic fit and on the financial discipline that we exercise when go after an opportunity. It has to fit both and have to be very, very clear path to value creation. We are very busy and we're looking at lots of things right now under those two criteria.

A

Mark Stiefel Astrachan

Analyst, Stifel, Nicolaus & Co., Inc.

Thanks. It's Mark Astrachan from Stifel. John, I would love to take advantage of your presence and talk about your baby, MAC. If we could disaggregate maybe what the growth rate has been from opening new doors versus whatever, in equivalent basis over recent years I think would be helpful, especially considering how large the brand is relative to overall. And maybe also, just talk a bit about, in markets where growth has slowed or declined in recent years, what do you think in your opinion has contributed to that and what do you think it takes to return to growth?

Q

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

Okay. Lots of merchants and lots of conversation. The MAC business has been challenged particularly in the Anglo markets these past three years. Specifically in Australia, the United States, Canada and in the UK, we are seeing with our expansion into multi-specialty with Ulta here in the United States and our expansion into third party platforms like ASOS in the UK and multi-specialty distribution in Australia with Mecca, a dramatic improvement in terms of the overall results of the brand. We have – we are beginning to gain share in most of the Western markets around the world and we have tremendous success and growth taking place in Asia-Pacific. In fact, MAC is the number two Prestige makeup brand in China just after Christian Dior, which is a phenomenal achievement and the largest makeup play [indiscernible] (02:06:28). So we have varying levels of success. We're showing strong door – a strong comp toward growth in over 65% of the markets where we operate here right now. We have Philippe Pinatel, who is our global brand lead here today that you can meet during the break and during the lunch period. He can take you into greater detail, but I'm seeing a turnaround. I wish I'd seen it a little faster here in the United States, but based on some of the structural elements of the market, it's been slower than I would have hoped. In Canada, as a matter of fact, which is a market that looks very much like the United States, we're seeing the brand enter positive comp growth territory and we're seeing a big pickup in share and a major turnaround in our freestanding store network. So, all things balanced and considered. Major progress.

A

Andrew Ross

Executive Vice President-Strategy & New Business Development, The Estée Lauder Companies, Inc.

A

The only thing I would add – one other point. It's growing nearly 30% for us globally online. So it's performing really well for us in many of the online markets.

John D. Demsey

Executive Group President, The Estée Lauder Companies, Inc.

A

Yeah.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

And I want also again to remind that the M·A·C is growing globally now since many, many quarters. So, the M·A·C is already in a situation where the growth countries and the growth subcategories are offsetting what is still in a turnaround phase. So, we are growing globally, and as John explained, we still are improving [indiscernible] (02:08:06) has been the more problematic markets for M·A·C.

Michael Binetti

Analyst, Credit Suisse Securities (USA) LLC

Q

Hi. Michael Binetti of Credit Suisse. Thanks for taking our question today. So, just to hop on the topic of brand proliferation, it sounds like there is a bit of [ph] a tension – a bit of tension on the (02:08:18) topic of proliferation between your comments that retention and your peak rates are very high. There's obviously huge demand from the consumer for variety. So, you mentioned you think it'll be hard for many of these brands to scale and get the economics that would meet your thresholds. I guess I wonder how do you – maybe, Tracey, how do you filter your M&A lens with that in mind. And if the consumer continues to demand a lot of variety in this category, do you need to take more risk on the M&A side related to the long-term economics and ROI potential if the reality is the future is lower volumes of a higher brand count in the portfolio?

Tracey Thomas Travis

Executive Vice President and Chief Financial Officer, The Estée Lauder Companies, Inc.

A

No. As Andrew said, we're very disciplined in terms of our M&A strategy, and we'll talk about it a bit in my section as well. We also have a lot of smaller brands that we have recognized can actually scale globally, and that's one of the filters that we use from an M&A standpoint as well. So, we look for smaller brands that are at reasonable – relatively reasonable multiples, but we know or believe that they have the characteristics to grow globally. And those are the ones that we look for and invest behind.

We have a very disciplined process. John and Jane and many others up here are involved in looking at all of the characteristics of a brand along with our region presidents, Cedric and Chris, obviously here in North America to make sure that the brand has multiple characteristics, so that it actually does have global appeal in various markets. And when we actually put the financials together for an acquisition, we do it by market, by customer. So, we have a pretty good sense for the demand of the product well before we actually sign the deal.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

But also I would like to add one thing, because the second question on this proliferation, frankly we have seen the opposite. So, I just – you have proliferation and noise, but the numbers is that the big brands of the world are winning. The big companies of the world are the fastest growing. The indie brands all together are smaller than the top three companies in their growing brands. One brand, Estée Lauder, is bigger than the totality of indie brands that exist in the world in the last five years [indiscernible] (02:10:43). And the growth of Lauder alone in our portfolio is bigger than the growth of the total indie brands combined. So, the facts are not that the small brands

are winning and the big brands are – is not. And the variety requested by the consumer is actually satisfied by the franchising of the big brands, much more by single new brands. And that's true also in our portfolio. So, to your question on M&A, I just want to underline, the solution to respond to the variety request is also to franchise existing big brands. It's not only to buy other brands.

Ali Dibadj

Analyst, Sanford C. Bernstein & Co. LLC

Q

Hey, guys. It's Ali Dibadj from Bernstein.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

I think – I think we have the last two questions.

Ali Dibadj

Analyst, Sanford C. Bernstein & Co. LLC

Q

So, I have two longer term questions. One is, would love to get your point of view on channel blurring. So, the ability of brands within the same channel to take vastly different price points and actually maintain those price points and continue to have pricing power under the same channels. That's question one. And question two is around the emerging markets, and perhaps China is an example of this, where what you found is that the tendency in emerging markets is for the consumers to leapfrog the development cycle that we've had in developed markets from a product perspective, a channel perspective, et cetera. Are you seeing that and are you – how are you preparing for that, and net-net, is that good or bad for Estée Lauder in those markets? Thank you.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

Yeah. I'll start from the second one. Again, you will see much more of that later in Cedric and the emerging market leaders' presentation. So, you will hear a lot. But in a nutshell, we definitely see emerging market leapfrogging. Emerging market, thanks to the new capabilities in the field...

Tracey Thomas Travis

Executive Vice President and Chief Financial Officer, The Estée Lauder Companies, Inc.

A

Exactly.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

Which is online sales and digital, basically what Jane and Dennis presented before.

Tracey Thomas Travis

Executive Vice President and Chief Financial Officer, The Estée Lauder Companies, Inc.

A

Yeah, exactly.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

Thanks to these two new capabilities, emerging markets speed of growth is much better than what used to be the speed of growth of developed markets 20 years ago. Second, emerging markets are getting into the new fast-growing channels much faster. They're not passing by perfumeries, department store. They go directly into the

new reality, and again, you will hear from China, the amazing model that China is developing. So, that's why we are telling you today very clearly that emerging markets in total are one of the biggest opportunities ever presented in prestige beauty industry and they're definitely not comparable to what used to be the past. It's the next opportunity.

That's why today we are trying to show you how we are focused on the future opportunities. They're being created and modeled by the new realities of mobile, digital, social media, new consumer request for variety, all the key trends that we see and how we are turning these trends into the next 10 years opportunities. On channel and pricing, we definitely are able to manage prices across channels within the same country and within the different regions. And see, we have a very thorough process to try to manage this, because it's not only channel, it's also currencies.

Tracey Thomas Travis

Executive Vice President and Chief Financial Officer, The Estée Lauder Companies, Inc.

A

Yeah.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

We have a team inside that study all the currency variation, all the pricing variations. And with our price increase or in some cases decreases decisions that we take around the world, we'll try to manage that according to a certain corridor of pricing variations, at least net pricing variation that we propose to the retailers, in a way that is manageable across the world. Frankly, we have been pretty successful in doing that. And our capability of doing that, thanks to analytics, is only improved, and our ability to coordinate decision on pricing across [ph] branded region (02:14:42) is the best ever been in our company. Last question, I think.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Q

Hi, Fabrizio. Olivia Tong with Bank of America. I wanted to talk a little bit about pricing. It's not typically something that we hear a lot about from you guys, but 20% to 25% of sales on average, it's pretty impressive. So, what's embedded in your expectation going forward? Specialty-multi obviously is driving growth. Indie, we talked about a lot. Those tend to be sort of downward detractors in terms of price. So, is every brand expected to reach a certain increased price every year or how do you resource your brands to get that price?

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

A

Again, Tracey will show this in detail in her presentation. But in a nutshell, we show our growth is partly it's pricing, partly distribution, partly it's same-door organic growth. You will see the details of that. But to answer directly your pricing question, we are increasing pricing about 2% per year. This is [indiscernible] (02:15:44) how this is done is part of it is just price increases that we do in the countries where this is appropriate, given the consumer segment and reality. Innovation, innovation in brands can come to higher average prices. So, innovation with added value for the consumer help us also driving prices up.

Mix of brands, there are – in this moment, frankly, we are doing a fantastic job of brands like La Mer, Tom Ford, which are higher priced, and so mix of pricing as well has a role. So, price increases, mix of prices, innovation are all tools to exercise, what in my presentation I was explaining is pricing power. And on average, this has resulted in 20%, 25% of our growth being from pricing. But this is a statistic that demonstrates the power of doing it, but

how we do it is in a very differentiated way depending by country, by situation, and we have the flexibility to manage this. So, in the future, we plan to continue in the same direction, to continue leverage these strengths.

Tracey Thomas Travis

Executive Vice President and Chief Financial Officer, The Estée Lauder Companies, Inc.

A

We've also taken pricing corrections due to currency as well. So, it is a very complex model that we work through. But on average, innovation drives a lot of the pricing upside as well, so as Fabrizio said, okay.

Fabrizio Freda

President, Chief Executive Officer & Director, The Estée Lauder Companies, Inc.

I think you will like the good news that it's time for a break and – but thank you for your attention so far, and we will reconvene after the break. Thanks a lot.

Tracey Thomas Travis

Executive Vice President and Chief Financial Officer, The Estée Lauder Companies, Inc.

Okay.

[Break] (02:17:19-02:34:18)

Unverified Participant

Ladies and gentlemen, please do take your seats. Our program will begin shortly. Once again, ladies and gentlemen, please do take your seats. Our program will begin shortly.

[Break] (02:34:32-02:40:11)

Unverified Participant

Okay. All right, music out [ph] with my live VOG (02:40:13). Please welcome Group President, North America, Chris Good; and Global Brand President, Clinique, Jane Lauder.

Chris Good

Group President-North America Region, The Estée Lauder Companies, Inc.

We didn't really get the welcome music there, Jane, did we? So, good morning. And I notice that there's been a bit of a theme around nationalities so far this morning. So, as you can hear from me, I'm British or more precisely an Englishman in New York as Sting would say. Anyway, Jane and I are delighted, very happy to be here today to talk to you about North America, and of course, Clinique.

North America is the company's largest market and is accretive to the overall operating margin. Clinique represents more than 20% of our net sales in North America, and the region represents over 40% of Clinique's net sales, making us mutually dependent upon one another, and it's a pleasure. From a market standpoint, The Estée Lauder Companies is number one in U.S. prestige beauty with over 25% market share. While we have lost share in recent years, we have a clear turnaround plan in place to return our business to sustainable growth. Our team has made significant progress against this plan, and I am confident that we are absolutely on track.

So, let's start by taking a look at the market opportunities and shifts that inform our turnaround plan. U.S. prestige beauty is big, healthy and a resilient sector, valued at \$26 billion and growing a plus 7% per year since 2015. While December and January were disappointing for U.S. retail, prestige beauty still grew plus 4% in the six-month period ending December, outperforming mass beauty by more than 4x. In terms of consumers, massive demographic shifts in the U.S. are creating new granular opportunities of growth for our company, and that's a theme that I will return to.

And you will hear Cedric talk about the emerging market opportunity. But we actually see the U.S. through a similar lens. By 2050, more than 50% of the U.S. population is projected to be multi-ethnic. In fact, most cities are already minority-majority, including New York, San Francisco, Los Angeles, Miami, Dallas and Houston. The market is getting younger with Gen Z and millennials comprising 42% of consumers. And importantly, the next generation of consumers is highly engaged in beauty with more than 60% of Gen Z purchasing prestige makeup.

Onto categories, while prestige beauty overall is growing plus 7%, we are seeing significant fluctuations in growth by category. For example, in this chart, you see that skin care was growing low single-digits, but has accelerated to 13% growth, while makeup has significantly decelerated in the past year, and both luxury fragrance and prestige hair care present significant upside potential for our brands. With our well-diversified multi-category portfolio, we are well positioned to manage this volatility, and importantly, capture rapidly emerging growth opportunities across subcategories and price points.

Turning to media, like the rest of the world, prestige beauty is rapidly shifting to digital. Today, digital makes up more than 50% of advertising spend in beauty. Media and consumption are rapidly converging with over 24% of younger consumers purchasing product directly on social media. As you heard earlier from Jane, our company has made the 180 shift to digital marketing, creating opportunities for us to target new consumers more effectively and efficiently than ever before.

Now, from a distribution standpoint, we have seen dramatic channel shifts over the past five years. Specialty-multi is now the number one channel in prestige beauty. Online is seeing strong double-digit growth, and we estimate that up to 20% of prestige beauty is now sold direct to consumer. Department stores still account for almost one-third of prestige beauty sales in the U.S., but the channel is being challenged by multiple store closures, including Bon-Ton last year and around 100 Macy's stores since 2016.

For our company alone, these closures represent more than \$250 million in annual sales, which have contributed to the share loss we've experienced here in the U.S. While brick-and-mortar remains challenged, retailer.com, as Dennis mentioned earlier, is growing double-digit and creating a very viable platform for growth. Over the past three years, we have aggressively pivoted towards our fastest-growing channels of online and specialty-multi. For example, as you heard from Dennis earlier, our company is now the number one brand company in retailer.com in the U.S., and we continue to make significant [ph] process (02:45:35) as we shift our overall channel mix.

Today, The Estée Lauder Companies remains the number one company in prestige beauty in North America. Our net sales in the region were \$4.5 billion in fiscal 2018 across all channels and we shipped in excess of 250 million units. In fact, one in four products sold in U.S. department stores and specialty-multi comes from an Estée Lauder Companies brand. And our products enjoy high consumer retention and repeat purchase rates. And our rich and diversified brand portfolio gives us a strong presence in all key categories.

In skin care, one of four products sold in U.S. department stores and specialty-multi come from our brands. We own four of the top 10 brands with a strong selection across price points. And in Makeup, more than 30% of

products come from one of our brands. And again, we have four of the top 10 brands with reach across consumer segments and channels. Too Faced and BECCA have helped us significantly to boost our presence in specialty-multi.

In fragrance, we rank between second and fourth as a company. With the acquisitions of Le Labo, Frédéric Malle and By Kilian, combined with the strong growth from Jo Malone and Tom Ford, we have boosted our share in the fast growing luxury and artisanal fragrance segment. Finally, in hair care, Aveda and Bumble give us a tremendous platform to capture the high growth potential of prestige hair care.

In summary, Estée Lauder Companies has a rich heritage and a strong competitive position, but we have now embraced change to better position our portfolio for future growth in North America. Over the past few years, we've made significant strategic pivots and developed capabilities to drive growth. A key change has been our approach to North America as a granular emerging market rather than a mature market. This is our mindset. No single area of the U.S. is the same. We need to understand the market and our consumers at a very granular level. There is no silver bullet to our success. It will come from capitalizing on each and every granular high growth opportunity.

With this mindset of a granular emerging market in mind, I will now speak of the five key drivers that we have made progress on and will continue to position us for growth in North America. Firstly, winning with more consumers, especially younger and multi-ethnic consumers and of course also recruitment from mass; changing our distribution equilibrium with stronger exposure to faster growing channels; increasing and optimizing our digital media investment to drive key categories, hero franchises and products; an agile empowered organization with the right capabilities and mindset across brands, functions and in the field; and winning with data-driven breakthrough innovation.

These are not new initiatives, but areas that we have been working on and have made significant progress, which I will now demonstrate. So, firstly, we will retain our core consumers and recruit new consumers, especially younger and multi-ethnic consumers by being consumer obsessed and data-driven. In the past, we applied a one-size-fits-all approach, partly due to lack of data. Today, we can be extremely granular in our approach and execute with local relevance. Everything we do now truly does start with the consumer. We now have robust granular consumer insights and market data, and we built execution playbooks for each and every consumer segment and ethnicity for our marketing and our sales teams to execute against.

One of the new tools we've developed are our consumer-centric catchments. This is an extensive piece of work that we've undertaken over the past year. We divided the entire U.S. into 2,600 catchments, and these are really clusters of doors defined by drive time. For each of these catchments, we now have extremely detailed data, including consumer demographics, shopping behavior, tourist patterns and market trends by subcategory and by brand. It was a quantitative exercise that we then overlaid with our own market research and added in the qualitative pieces.

This data allows us to understand the market at a much more granular level than before. For instance, this is a view of Chicago. We used to view Chicago as one [indiscernible] (02:50:16) market, one consumer type, frankly if at all. We now view this as more than 10 catchments, all very different areas, different shopping behaviors and different demographics. So, this tool is now used daily by our brand, consumer engagement and account teams to understand the consumer in each and every catchment and to thus deliver highly tailored and locally relevant programs.

Here's an example with La Mer of how we've used the catchment data to leverage tailored and granular communication. When La Mer launched its Luminous Lifting Cushion Compact Foundation, the brand used different copy-in education depending upon the target consumer in each of these previously mentioned catchments. So, in the Latina catchments, the brand emphasized the fresh finish and flawless skin benefits; in Asian catchments, radiance and hydration; and in millennial catchments, the communication centered on radiance and instant benefits. So, extremely granular communication, really talks very directly to the consumer. Applications of this catchment data extend to assortments, [ph] dual language copy (02:51:25), visual merchandising, in-store and online activation, events, micro influence selection and media selection.

Next, distribution, we have significantly pivoted our channel mix. Just four years ago, the majority of our business was in bricks and in department stores. Today, most of our sales come from the fast-growing or brand equity building channels I spoke about earlier. We have increased online by more than 10 percentage points mix across brand.com and retailer.com and specialty-multi by more than 15 percentage points. One of our strategic acquisitions, Too Faced, is one of our top selling brands in specialty-multi.

Overall, we are now structurally positioned to capture growth. 50% of our business today is in channels that are growing three times faster than our declining channels. In parallel, we are partnering of course with our key retailers to continue to improve our performance in brick-and-mortar department stores, working very closely with Macy's and Nordstrom and Dillard's and Belk. In fiscal 2018, our trend in department stores has already started to improve versus last fiscal, despite the significant Bon-Ton closure.

The third critical pillar is targeted media investment. Again, this is another area where we have made significant changes. Just four years ago, the majority of our media investment was in print and in TV. Since then, we have increased our media investment by more than 70% over the last four years, and today more than 70% of our media is in digital and social, which allows us to target and communicate with consumers in a personalized way and with a high ROI. To lead in digital advertising, we have also involved our consumer engagement capabilities across our brand teams.

We've built a Consumer Engagement Center of Excellence and recruited [ph] a new media agency network (02:53:29). And to support these significant shifts, of course, you need the organization. We've involved our organization and capabilities to the new consumer retail and media world, and we've made some significant changes in this area. Our new sales structure is tilted [ph] Fueling Fit Retail Excellence (02:53:49). This allows us to unlock the power of the field to be more relevant and to be more agile. We've used detailed analytics to optimize territories, built seven Centers of Excellence, changed the ways of working, and enhanced our [ph] tools (02:54:04) and education.

With many initiatives underway, we've improved time in-store from 25% to more than 70%, which has increased our sales and benefited all concerned, field executives, retailers and of course our consumers. We have also built Centers of Excellence in consumer engagement, creative, retail, key account management, business analytics, and intelligence and project management. We strengthened our capabilities and our talent, and we have energized the entire organization to execute with excellence and around this concept of a granular emerging market. Finally, we are continuously reengineering the P&L to ensure that we are allocating our resources to fuel growth and into highly visible areas of spend.

So, in summary, we are now better exposed to growth and on track to return to market share acquisition. The growth drivers we have employed are kicking in. To recap, first, we are targeting new consumers, younger and multi-ethnic, in a very new and granular manner enabled by significant strides in our data capabilities. Secondly, our distribution pivot is working and our distribution profile is now more balanced. Online and specialty-multi are

working very well, and as you heard from Dennis, online in our region is \$1 billion and growing at approximately 20%.

And in terms of department stores, the Bon-Ton issue is almost behind us, and we continue to work diligently on new initiatives to drive traffic and to create an experiential selling environment in our department stores. Our diversified brand portfolio is better fit for future and has been bolstered by our strategic acquisitions. And we have a terrific innovation program to leverage in the months and the years ahead. My colleagues in the brands have truly brought innovation to the next level and as a more significant contributor within our overall business mix.

I am thus confident in the future of North America. We are making great progress, and yes, there are areas to fix, which we acknowledge and where we have plans in place, namely department stores, M·A·C and Clinique. These [ph] latitude brands (02:56:22) are certainly my priorities, but we're working very collaboratively and closely with our department stores on the department store pieces I mentioned. And in terms of Clinique and in terms of innovation, I will now pass you on to Jane to talk about Clinique iD, which we believe will be a key growth driver for Clinique in North America.

Over to you, Jane.

Jane Lauder

Director & Global Brand President-Clinique, The Estée Lauder Companies, Inc.

Thank you, Chris. I couldn't ask for a better partner as we embark on this journey, and in addition to being smart and passionate, he's also an avid boxer. So, really the best man to have in your corner. Five years ago, when I joined as President, Clinique was not yet poised for rapid growth in this new landscape. We had more than 65% of our U.S. business in traditional, low growth and declining channels. Our media buys were predominantly traditional print and even newspapers and we were just starting to experiment with social and think about our influencer strategy. And despite the changing landscape, Clinique was and still remains today the number one Prestige Beauty brand in the U.S. And now, we are much better exposed to growth from an innovation, a distribution and a communication perspective.

In the U.S. alone, we sell over 60 million units of product every year across thousands of distribution points. At our largest retail partner, Macy's, one in four beauty products purchased is a Clinique product. And as the entry-price brand in the portfolio, we're reaching consumers across different socioeconomic brackets. At Ulta, where we sit alongside both mass and prestige brands, more than 10% of our consumers were converted for mass. This is double the rate of other prestige brands of similar size. And not only are we recruiting a diverse consumer set, our commitment to developing incredible products that are always formulated for maximum results without irritation gives us one of the highest retention rates in the industry at over 40%.

Moisturizers in particular make up a large portion of our business. We are the number one prestige moisturizer brand in the U.S. in sales and we sell more units of moisturizer than Lancôme, Bobbi Brown, Origins, Estée Lauder, M.A.C., La Mer and Shiseido combined. Clinique moisturizers account for almost 25% of prestige moisturizers purchased annually, which means we sell one moisturizer every four seconds.

We have been the number one moisturizer brand in the U.S. for many years. But in order to remain number one, our job is to constantly innovate and surprise and delight our millions of loyal and potential customers. We know that 98% of women use a moisturizer every day, which makes this a meaningful category for both loyalty and recruitment. But we also know that 68% of women have not yet found the one. We believe there's an even bigger opportunity in moisturizers than we've tapped into with our latest innovation.

We believe the one is Clinique iD, an innovative custom-blend hydration system with 15 unique combinations. Rooted in Clinique's dermatological heritage and our knowledge that different skins need different types of solutions, our customers are invited to choose from one of three hydrating bases to fit their skin type and one of five cartridges to fit their primary skin concern. And to help our customers find the right combination, we've developed Clinical Reality, a virtual diagnostic tool backed by 50 years of proprietary skin testing data. Let's take a look.

[Video Presentation] (03:00:48-03:01:17)

We took this moment through the launch of iD to reinforce our Clinique clean philosophy. As the original clean beauty brand since 1968, Clinique has always formulated without skin-irritating allergens or fragrances. With growing consumer interest in clean beauty, we're proud to continue sharing our formulation philosophy, which now includes no parabens and no phthalates.

Now with recruitment top of mind for this launch, we embarked on a teaser tour. Celebrating the diversity and inclusivity of the iD concept, we took over 40 influencers to five countries to discover their unique iD. The corresponding activation had the potential to reach 1.5 billion consumers and it's working. With an engagement rate of 18%, five times higher than the industry average, we've been able to recruit over 40% new customers. We're seeing this trend in the U.S. and internationally as we continue to roll out.

More than 80% of our media spend is in high ROI channels, like digital, influencer activations and consumer experiences. We've learned that targeted advertising reduces our cost of customer acquisition by 30%. So, with the launch of iD, we're targeting by affinity, concern and ethnicity. With the focus on digital first targeting and diversity of assets, we saw an increase in our conversion of historically under-penetrated consumer sets for Clinique. iD now is over-indexing with African-American, Hispanic and Indian consumers and with our target millennial consumer. In fact, as we roll out across the world, we've been encouraged by all of our early results across markets, channels and geographies.

In the U.S. we are seeing above-target launch mix of business and high double-digit growth in the channels where she shops – specialty-multi and online – for both iD and total Clinique skin care. We are just at the beginning of this launch and our media plans will continue to build momentum over the next several months. We're also encouraged by results in similarly mature international markets, like the UK, where iD is lifting the entire brand as a whole.

As a brand rooted in democratic luxury, customization enabled by Clinique allows for the ultimate an inclusion. Powered by our Clinical Reality technology, which hopefully many of you experienced in our pop-up in the lobby, we're giving our customer the perfect product for her or him based on a unique skin profile. And this focus on personalization is the key driver of everything we do today and everything we will be doing in the future to grow Clinique and iD is just the beginning.

We know that to turn around the Clinique business, we need to accelerate our key large categories. We're planning breakthrough customized innovations in foundation, age-defying treatments and lip with a very exciting color innovation launching this fall.

Now I'm pleased to introduce Cedric Prouvé, Group President of International. He is going to talk to you about emerging markets, which I know is on everybody's mind and he has an amazing group of dynamic speakers to come and talk to you. So thank you.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

All right. Rohan, this music is for you. Thank you so much, Jane and Chris. Incidentally you should know that Chris and I go back 25 years both living in Singapore and at the time our hair was much darker and we had no idea to become New York neighbors 25 years later. So good morning and welcome to the emerging market presentation.

Today joining me on stage are Joy Fan, our Senior Vice President, General Manager, China; Maria-Laura Santos, General Manager, Brazil; and Rohan Vaziralli, our General Manager, India. We are all excited to share with you how we are winning in emerging markets where they have been and will continue to be a strategic engine of growth. Following my presentation, Joy will share with you the success story in China. And we will conclude with a panel discussion with Joy, Maria-Laura and Rohan.

The Estée Lauder Companies has been a pioneer in emerging markets, beginning our international expansion more than 15 years ago. They have been a strategic priority for us. Back then, we established emerging market councils for our priority markets to ensure each of these markets had the right amount of support and investment from global brands and functions.

We have expanded our geographic footprint and are now present in more than 15 emerging markets. China, the largest of them, opened in 2002 and is already our largest market outside the United States, our second home market. We employ more than 3,000 people in local corporate offices and another 12,000 on the field. We have demonstrated our market leadership in Prestige Beauty in all of these countries. We hold the number one rank in more than 10 emerging markets.

We have demonstrated success across all emerging markets with compounded average growth of over 15% in the last 10 years and an incremental \$2 billion in net sales to the company, truly a strategic engine of growth. Over the past 10 years, we have doubled the contribution of emerging markets and they now represent about 18% of our total business.

Our emerging markets are accretive to the total company operating margin, thanks to our tight financial discipline and the principle of positioning these markets as investment-grade for our brand leaders. On top of that, there are traveling corridors, as was mentioned earlier by Olivier and his crew group of French people [indiscernible] (03:08:24). I'm not that cool. Many of these emerging markets have a significant number of consumers who travel and purchase when they travel, in airports and at destination. Our investments in local markets are amplified in travel [ph] with them (03:08:44).

Our success is driven by, first, being consumer-centric and having a portfolio of brands and products that are tailored to be the most relevant to the local consumer, then by investing in people and local talent, including having a diverse employee base that reflects our consumer base. By optimizing our channel mix and creating new distribution where necessary for Prestige Beauty, such as was the case in Brazil, where department stores and specialty-multi did not exist when we entered. We opened our own M A C and Clinique freestanding stores. And finally, by gaining share in fast-growing categories and growing the prestige market by sourcing for mass [indiscernible] (03:09:30) and door-to-door.

We can expect continued growth from emerging market in the next five years. Our internal estimate leveraging syndicated data around the world suggest that 25% of the global Prestige Beauty growth will come from China,

nearly doubling the current market size. You will hear from Joy shortly on why we think it will be a strong engine and why we will continue to win in our second home market.

However, we are not only dependent on China. We estimate all other emerging markets combined will contribute an equal amount to the growth of Prestige Beauty globally and to the growth of our company. We are already in a strong leadership position in these markets and believe we can capture much of this increase.

There are three key drivers of future growth – the emerging middle class, increased spending power of women around the world, and consumers trading up to prestige. I'll speak briefly about each of them.

The emerging middle class consumer has an avid appetite for affordable luxury. By 2028, China, India and Brazil are expected to have three of the five largest middle class populations in the world. Together, they would account for 60% of the growth of the global middle class population in the next 10 years. In addition, women's empowerment will contribute to the long-term growth trend, increased access to education and participation in the labor force are enabling women in emerging markets to gain a measure of financial and personal autonomy. It will have a broad impact on economies and consumption patterns, including demand for our brands and product.

In emerging markets, the penetration of prestige is still low. Prestige represents 26% of total beauty in China, as you've heard already, and 6% only in India and Brazil. As an example, if Brazil were to achieve 10% penetration, it would be an incremental \$1.2 billion market size opportunity based on Euromonitor data. If it were to achieve 26% same as China today, it would be an incremental \$4.5 billion opportunity.

As we proactively develop new engines of growth in emerging markets, we are poised to build further on our success. We pride ourselves on being locally relevant to our consumers. We are consumer-obsessed. We have invested in building capabilities to better understand the local consumer, to create locally relevant and innovative products and programs.

We focus on winning in the top categories, addressing top benefits and concerns sought for, products to treat dark circles in the Middle East, lip and eye products in India and [indiscernible] (03:12:28) lotions in Asia. We understand the local media landscape and adapt our digital and influencer marketing programs to local needs, including producing media campaigns locally. We tailor in-store experience and execution and develop our marketing calendars to align with local holidays and celebrations, such as Diwali or Chinese New Year.

Our broad range of brands by category allow us to have different priorities for each of the markets. No emerging market is exactly like another. We have the ability to expand considerably, as an example, Brazil only has 9 brands while China already has 15 brands. We have a clear roadmap for expansion by market and by brand.

We have the opportunity to also expand to mid lower tier cities as well as roll out current brands further in our existing footprints. As an example, we are only in 21 cities brick-and-mortar retailers in India with our most distributed brand being M A C. Estée Lauder in 18 cities, Aveda 10 and Jo Malone 2. Online partners are allowing us to boost our consumer coverage. In India, our pure play partner Nykaa extends us to more than 950 cities national coverage.

We have a winning model that has been proven in multiple new emerging markets. Most recently, we have converted distributors in Colombia, Indonesia and Saudi Arabia to new affiliates. We have the best local talent and capabilities and invest in building a reputation as employer of choice. As an example, Estée Lauder Mexico has been recognized by Expansión Magazine as one of the places everybody wants to work for, for 11

consecutive years. As we build scale, the emerging markets continue to gain share and improve profitability. As I mentioned earlier, they are accretive to the total company performance.

In closing, we have built a truly diversified portfolio of emerging markets. We acknowledge that emerging markets are volatile, but with balanced portfolio of markets, as one is down, others may be delivering double-digit growth. We are strategically committed to these markets for the long term. We've demonstrated our resilience over the last decade, growing net sales at more than twice the rate of Prestige Beauty. I am confident that emerging markets can continue to be a tremendous source of growth for our company. We are well-positioned to excel as the market leaders, maximizing this growth potential.

I am personally very passionate about emerging markets. They have been a strategic priority for me since I've been in this role now 16 years. We have the best local talent and capabilities and an entrepreneurial mindset that allows us to think creatively and tailor solutions for each market. You'll see this from our panel in just a moment. Before that, I'd like to introduce Joy Fan, our very, very talented Senior VP, General Manager for China. She will share with you our incredible success story in this very important market for us.

Joy Fan

Senior Vice President, General Manager, China, The Estée Lauder Companies, Inc.

Thank you, Cedric. Good morning, everyone. I'm excited to share Estée Lauder Companies China success story with all of you.

We have delivered stellar results in Estée Lauder Companies China. We have achieved 25% share of Prestige Beauty in department store and freestanding stores, as reported by Beauté Research retail Report. We gained 0.7% of share in FY 2018. Our net sales doubled in the past five years and grew by over 40% in FY 2018 with double or triple-digit growth across all brands and all channels. The momentum continued in FY 2019.

Our achievements was based on 550 store in 120 cities while we cover the rest of 500 cities via online. Our door productivity is outstanding. Lamelle and Estée Lauder enjoy top Prestige Beauty department store and freestanding store door productivity on average [ph] base (03:17:14). Our affiliate average like-door sales further improved by double-digit.

Our success is built on our strategic enablers in China. First, we innovate with local relevance. We built our Asia Innovation Center in Shanghai eight years ago, from which we design product for Chinese consumers. We also invest in clinical testing in China. For example, we are going to launch Estée Lauder micro essence Sakura next month, which is formulated in Asia for Asian skin with Asian ingredients. I'm very excited about the launch and I believe it will be well-liked by Chinese consumers.

We are an industry leader in social and digital marketing. Our own brand accounts have more than 45 million followers on Weibo, WeChat and Tmall, which is larger than the entire population of California. Our annual engagement is enormous. For example, on one platform, Weibo alone, we have reached over 112 million engagement. We are also very proud of our superior execution capabilities in China. We have best-in-class retail execution with high quality store operations and customer service, some are global flagship stores.

Estée Lauder Companies China was one of the first prestige players to launch in Tmall and we remain a leader in FY 2018. We have a fully localized team in China who understand local consumer needs. We have over 6,500 employees in China and 99% of them are Chinese. Women constitute over 80% of our employees. In senior positions, over half are women. We have been awarded China Top Employer every year since 2015 and we have also awarded Best Employer for Women in 2016.

China's retail landscape is leapfrogging Western countries and we continue to stay ahead of it. China has the most vibrant brick-and-mortar retail that is younger and more modern than in Western countries. Department store draw lessons from developed markets. They proactively optimize their brand assortment to recruit young consumers, renovate on regular base and some are offering shopping mall-like experience.

Freestanding store stand as an image-building channel and a lifestyle destination for social, dining and entertainment. We leverage our China Design Center to constantly upgrade our retail concept and make our visual merchandising more engaging. We also provide high-touch services in-store to drive trial and loyalty. Tmall is our largest freestanding store online. We treat it not only as a sales channel, but also image platform and drive recruitment. We have provided breakthrough technologies such as shade selection. We also provided personalized services such as fragrance combining, engraving and facial service in-store. Our consumers can enjoy seamless high-touch service wherever they shop. Today, online accounts for 30% of our business in China.

We actively pilot retail revolution in China. Our smart store surprise and engage consumers with superior interactive technologies, such as tap and trial, virtual mirrors, touchscreen to display online reviews, eye palette personalization table and customizable packaging printers [indiscernible] (03:22:07). China market still has huge untapped potential. Penetration of Prestige Beauty is still low in China at 26% compared to matured market such as Japan 43%, Korean 49%. China has a large middle class of nearly 400 million people who are trading up rapidly and Prestige Beauty has been growing much faster than the overall cosmetic market.

The potential with Chinese young consumer is amazing. Luxury consumers in the western markets are typically over 40-years-old, but the majority of Chinese luxury consumers are in their late-20s, almost, a generation younger than their western counterparts. For consumers buying Prestige, young consumers spend 30% more with \$188 annually versus their mother at \$145. They use more brands and more products. As young consumers enter into the market, overall spending level will be boosted.

China has a higher female work participation rate than most major economies at 61%, resulting in Chinese women being more financially independent with increased spending power. They are willing to reward themselves with premium products and indulging experience. And Estée Lauder Companies China is ready to capture the great market potential.

We have the most desirable brand portfolio ranging from entry prestige to luxury to satisfy consumers throughout her lifestyle. Among the 30 aspirational brands globally, only 15 have been launched in China. The potential for geographic expansion is also huge. Today, our flagship brand, Estée Lauder is only in 115 cities, M A C only in 32 cities, Tom Ford in 12 cities. Our brand have a very young consumer base in China. Average age of M A C and Tom Ford active consumers are below 30-years-old. Estée Lauder and Lamelle are in their earlier 30s. We continue to recruit younger consumers and cultivate them so they stay loyal to Estée Lauder Companies for life.

To conclude my session, we believe the China market will remain as a top growth engine, driven by the promising demographics and by the pressing of young Chinese consumers on Prestige Beauty products. Estée Lauder Companies China is our second home market and therefore we have unparalleled support from global headquarters to China and that is one of the key reasons why we have prospered and will continue to win.

Last not least, as international as we are, Estée Lauder Companies China is also very proud of our local DNA. We are one of the few multinational companies in the industry led and operated by Chinese. I have worked for Estée Lauder Companies for 14 years as a Chinese woman. I'm very proud of what we do in China. We bring beauty to our consumers, enable personal success of our employees and deliver benefits and care to their families.

Now, we will move to our Emerging Market panel discussion. To introduce the panel, let me show you an Emerging Market video. Thank you.

[Video Presentation] (03:26:48-03:27:47)

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

I hope you can see we're excited about emerging markets. So we're ready to launch the – this is our second panel of the morning. And I think we are going to start with India. So, Rohan, welcome.

Rohan Vaziralli

General Manager, India, The Estée Lauder Companies, Inc.

Thank you.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

I was going to ask you if you could share your view on why you think Estée Lauder Companies has been successful in India and why you believe you have the right to win moving forward.

Rohan Vaziralli

General Manager, India, The Estée Lauder Companies, Inc.

Thank you, Cedric; I'm honored to be here. Before I start, I've been with the company for 24 years. I started in the U.S. and have basically set up the India business in 2004. I think to Joy's point, this is a great testament to using local talent to set up countries and develop the markets. I would attribute this to three factors. First, to market, we opened our India office in 2004 as I mentioned with the long-term vision and commitment to our Indian consumers and our emerging consumer base. The prestige market at that time was completely undeveloped. M·A·C was the first brand that we launched in 2005 and it was a completely non-traditional approach to us launching brands. Historically, we would have always launched Estée Lauder or Clinique, but we launched M A C purely because our consumer insights showed a solid affinity to our brand with Bollywood, which is a major influencer in India.

We followed the same first-to-market with our online expansion with all our brands; M A C, Clinique, Smashbox, GLAMGLOW, Aveda and Bobbi Brown. Second is market leadership. As Cedric mentioned prestige beauty only accounts for 6% of the total beauty business in India, but we believe by 2022, this will double in penetration to over \$1 million. India is all about creating aspiration and desirability for our consumers to trade up from mass to prestige.

The Estée Lauder Companies has a market share in excess of 50% in both makeup and skin care. We have a diversified channel mix, balanced with freestanding store formats, specialty multi and online. Our market leadership extends into each one of these channels and retailer relationships as well.

Last, but not least, is best-in class capabilities, both on digital and local relevance. We are a digital-first country. The majority of our advertising spends are already digital and 35% of all sales in India, according to the Boston Consulting Group, will be driven online by 2025. 70% of those will be on mobile. By adopting a digital-first mindset, we believe that we're poised to continue to build desirability, aspiration for our Indian millennial women. Local relevance is a key driver for our business. We've developed programs to address specifically concerns for

Indian women, one of them being dark circles. One in every three women in India is concerned about dark circles and pigmentation. Today, we are the leaders in creating distortion units in our freestanding stores and educational content online to win this specific need.

Lastly is the bridal program. Anyone who has attended an Indian wedding here knows that we have a minimum of between 700 to about 1,500 guests at a wedding, it's a big deal. I still can't remember the number of guests I met at my wedding, but nonetheless it's a big program and what we try and do here is create lasting memories for our consumers, specifically for our Indian brides with their families. I believe we're going to continue to develop and grow at a faster rate than the market...

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

I'm sure you're Rohan, I'm sure you are. So let's go to Brazil now Maria-Laura. First of all, we should thank you for braving New York frigid temperatures instead of enjoying Carnival right now.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

It's true.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Okay. So could you also share your success story and why you think you have the right to continue winning in Brazil?

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

For sure. Thank you very much for the question. Thank you for having me here. It's true it's Carnival, but I still have Carnival next weekend; so I will enjoy anyway. But it's a pleasure to be here. I have to start talking about our consumers. Brazilians are totally passionate about beauty. Brazilians like to use a lot of products and they use to talk. They like to talk as well about beauty. As you probably know, according to Euromonitor, Brazil ranks number four in beauty consumption. And as you have just shown, Brazil has a emerging class growing very fast as these women in workforce. So it's the perfect environment for us down there. Our affiliate was open in 2006. And Brazil did not have department stores; still doesn't have. And the model that we have tailored for Brazil, it was free-stand stores. This became a competitive advantage for us because we own the relationship with our customers and we were able to establish very well our high-touch service. This is really important for us in Brazil.

Today, our business is 90% direct-to-consumers. I think it's one of the highest in the total Estée Lauder Companies. Through our free-stand stores and online, we do have e-commerce for all our brands in Brazil. In order to keep growing our consumer reach n Brazil, we partner with specialty-multi and other e-retailers as well. Today, we are number one in prestige makeup and number one in prestige skin care, we are very proud of that.

In fragrance, we have built solid fundamentals for luxury fragrance, and we are growing faster than the market. For the future, we still have a space to grow because we only have nine brands, so we have a huge space to have more brands down there. We have just launched BECCA, it was a success since the beginning and we do believe that Brazil has a long runway for growth.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Perfect.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

And sorry, I cannot forget to say that our affiliate has more than 600 people. Most millennials accept me and 80% women even in their leadership team.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Perfect, amazing. So Joy, let me go back to China for a second. You have so many – and I know for a fact, so many competing priorities. What is your most important area of focus right now?

Joy Fan

Senior Vice President, General Manager, China, The Estée Lauder Companies, Inc.

Thank you, Cedric. Talent is always my first priority. I'm pretty focused on developing young talent in my organization. Actually, I want to highlight the high potential of young generation in China, not only as consumers, but also as employees, colleagues and future leaders. They were born after China's opening up to the world and grew up when China has gone through tremendous socioeconomic change. They are smart, well-educated and diligent. They are the master of the Internet world and they have a lot of international exposure. They are also very bold, active and confident. They work very hard, taking up social responsibilities. As consumers, we have all seen how important they are to the prestige beauty. But as employees, they are of fresh blood, bringing new idea, insight and expertise. They represent this important consumer segment. With our management trainee program and also with our fast-tracking career development plan, I am very happy to see many high-potential young talent has taken up key position in our organization and I'm confident they could be the leader of tomorrow.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Thank you, Joy. Maria-Laura, what are you most excited about in your market at the moment? I know the answer.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

I'm very excited about launching a new pillar of growth in Brazil, hair care. Hair care is the largest beauty category in Brazil and today, the penetration of prestige hair care is definitely smaller than makeup, prestige makeup. We will have different strategies for launching Aveda and Bumble and bumble in Brazil. Aveda will be launched in August in partnership with a local salon-only group, chosen because of their professional expertise, commitment to social cause and sustainability, perfectly aligned with Aveda. Aveda's positioning, high-performance, botanical ingredients and environmental responsibility is directly in line with what Brazilians want right now.

Local consumers have increasingly connected with sustainable cause and demanding responsibility for brands. So, Aveda makes perfect sense for us. After awareness for the Aveda brand is built, we'll expand through online and speciality-multi. Bumble and bumble will be different, Bumble and bumble, we will launch now in April through Sephora and professional salons. In Sephora, we will be the first prestige hair care brand to use the Beauty

Studio to offer service to our customers. It will be the perfect moment to talk about styling to our consumers. It will be very excited year for us in Brazil.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Yeah. I know hair care usage in Brazil is through the roof, right. Every woman washes their hair every day or so....

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

Almost every day.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Almost every day. So, let me ask a similar question to Rohan for India. What would say you're most excited about in your market at the moment?

Rohan Vaziralli

General Manager, India, The Estée Lauder Companies, Inc.

Thank you, Cedric. I think you said it earlier in your presentation. We are at 20 brick-and-mortar doors and we set up the affiliate in 2005. We're now approaching 950 doors via our online expansion. So really, we've just begun our omni-channel and e-commerce journey. It's only been two years since we actually began this journey and we've already contributing to over 15% of our mix of business. So, we expect a massive runway here.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

So you went from 0 to more than 15% mix of business in two years then.

Rohan Vaziralli

General Manager, India, The Estée Lauder Companies, Inc.

...in less than two years. We're working on new consumer-facing technologies and channels to provide our consumers with a seamless experience. Another big opportunity is our omni-channelization of our freestanding store formats. We have over 100-plus doors across India and we really need to work on omni-channelization of this. We're working on this with our retail partners immediately.

The last is the Bain report highlights beauty and personal care to be the highest growth opportunity and this is exciting for us. The Indian women continue to increase their purchasing power parity and we want to be at the top of her mind with our brands.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Maybe I should add this information because as Fabrizio mentioned, 1,500 stores around the world, freestanding stores, but actually your stores are not counted in their statistic because we work on these with a partner. So we have another 650 stores that are not done by us, but done in conjunction with the partner so that they add on to

the channel for us. Joy, what would you say are the products and services that resonate the most with consumers in China, how do you leverage the brand portfolio against that?

Joy Fan

Senior Vice President, General Manager, China, The Estée Lauder Companies, Inc.

In China, we see changes in different category. In skincare, we've seen a clear trend of consumer trading up to premium and luxury segment, with preference on high efficacy and a clear and more delicate sensorial experience. In makeup, they are more likely to go after aspirational and trendy imaging. In fragrance, they become much more sophisticated than before and they go beyond scents that they look after storytelling and aspirational lifestyle. They even go for luxury niche fragrance. We all know that Estée Lauder Company has a very strong portfolio in prestige and luxury skincare. In makeup, we also have M·A·C, Bobbi Brown, Tom Ford and other brands like Estée Lauder, which has witnessed explosive growth. In fragrance category, Jo Malone London as our top artisanal fragrance brand number one in that category. And Tom Ford as our top high-end luxury fragrance brand. With our brand portfolio, I believe we are well positioned to continue [indiscernible] (03:40:37) in China.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Great. Thank you, Joy. Rohan, could you speak to competition in your market? Is it more global, local, how do you compete with both?

Rohan Vaziralli

General Manager, India, The Estée Lauder Companies, Inc.

Well, I think we've already kind of illustrated that it's a mass market, 94% of the market is still mass. With the liberalization of the FDI rules and the opening of multiple channel options like e-commerce and specialty-multi, the footprint on specialty-multi has only just started. So, we believe again that there's plenty of room for our consumers to trade up from mass to prestige. The fact that India is still a nascent beauty market, we're looking at travel sizes and minis to meet consumer expectations, while continuing our investments in high-touch initiatives, specifically revolving around educational content, influencer activations and ratings and reviews. I also believe in driving the desirability of our brands through digital-first campaigns. We've recently announced Bollywood ambassadors for our brands with Estée Lauder and Clinique and we believe that being engaged with over a thousand influencers in India, this will allow us the success that we are aiming for.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Great. Thank you, Rohan. What about you, Maria-Laura, what's your plan to compete with local brands in Brazil?

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

Yes, so we are like India. It's most local brands.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

They are like twin markets.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

Yes. The Brazilian consumer recognize that prestige brands are more expensive than local brands and they relate this to the packaging, the status of the brand, the quality and the technology. To compete with them with very high investments in traditional media, we invest in digital, local influencers and a strong training of our staff in our stores. We focus our communication in the hero products and this help us to leverage the product message and strengthen our image of superior quality and technology as well.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Great. Fantastic. So, I just want to ask one last question to all of you. So I will go in order. I just want you to give me an example of – and give everybody an example of something you think we should pay attention to when selling our products in your market. So let's start with Joy.

Joy Fan

Senior Vice President, General Manager, China, The Estée Lauder Companies, Inc.

Okay. Thank you, Cedric. In our organization, we have a proverb that young doesn't mean cheap. In many parts of the world, when people launch something for young consumer, they might try to develop something more accessible or at entry level to get them started. But actually in China, it is not the case. Generally, consumer are very well educated and exposed. They are the only child in a family, the center of attention and with financial support from their family, they don't have saving habit as their parents. So compared to other counterparts in the world, they have deep pockets. They are the early adopter and opinion leader looking for the best and they have big influence, the young, their family and their friends in social media network. So that is why they deserve the best in quality, in packaging, in marketing, in store design. That is something I always pay attention to when we launch new products, new brand for young consumers in China.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

And if I'm not wrong, you have your own daughter at home, so you can do market research at home...

Joy Fan

Senior Vice President, General Manager, China, The Estée Lauder Companies, Inc.

Yes. I always [indiscernible] (03:44:10).

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

All right. Maria-Laura, what about Brazil?

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

Yeah, Brazil, it's all about experience in social media. So buying a prestige brand is more than buying a simple product, is an experience that they want to enjoy, cherish and probably share in Instagram or any other social media. Although the prestige market is just 6%, the 6% that buy the prestige brands, they want the best experience ever. They want better experience than when they are travelling abroad. So they really raise the bar.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

High standards.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

Yeah, high standards. Brazilians are very curious. They are open to new brands, but you cannot assume that they understand your product or your brand. Brazilians do not speak English very well, so it's really recommendable to adjust the tone of voice and how we present your products, tropicalizing the message. And finally Brazilians value a lot emotional connection, you know that we are very emotional.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Yes.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

And Brazilians like attention as well. So they like to be pampered. Some examples that...

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Oh God.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

...come to my mind, in our stores, we all have a gift boxing always during the year. We also offer many times flavor water, champagne, much more often than you have here, for instance. Buying a prestige brand in Brazil, it's a special moment. It's not for everybody, as you said before and we have to make all the efforts to really offer a memorable experience for them.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Thank you so much, Maria-Laura. Rohan, what about you?

Rohan Vaziralli

General Manager, India, The Estée Lauder Companies, Inc.

We're a very culturally diverse country, proud traditions and varied skin tones and facial features. We mustn't forget, India is about one-third the geographical size of the United States. And for years, the beauty companies in India have propagated the notion of beauty as being fair. And today, you have Bollywood actresses also stepping away from promoting brands that propagate this idea of beauty and fairness. At ELC, we celebrate cultural diversity and demonstrate it in our brand campaigns based on real women who are confident and authentic. We've recently signed two brand ambassadors, both for the Estée Lauder brand and Clinique as I mentioned earlier, both of them very, very powerful in their own right and then again culturally diverse in their beauty offering.

Lastly, I'd just like to say that we have 85% of our women workforce and then 50% of my management team are women and that's power to, again, promoting cultural diversity.

Cedric Prouvé

Group President-International, The Estée Lauder Companies, Inc.

Terrific. So I think we're actually a bit over time. So I'm going to stop the panel right here. I just want to thank all of you for what you do every day in your markets and for participating through the panel. I hope everyone is impressed by the quality of our leadership in these markets. This is not unique situations where we have very strong local leaderships. If you went to Russia, Turkey, South Africa, Mexico, it would be very similar – a similar experience. So we feel like we have a major point of difference to many of our competitors with this very locally relevant and expert leadership. So thank you.

Joy Fan

Senior Vice President, General Manager, China, The Estée Lauder Companies, Inc.

Thank you.

Maria-Laura Santos Tarnow

General Manager Brazil, The Estée Lauder Companies, Inc.

Thank you.

Rohan Vaziralli

General Manager, India, The Estée Lauder Companies, Inc.

Thank you, Cedric.

Operator: Please welcome Executive Vice President and Chief Financial Officer, Tracey Travis.

Tracey Thomas Travis

Executive Vice President and Chief Financial Officer, The Estée Lauder Companies, Inc.

All right. Well, I believe we've transitioned the morning, so good afternoon everyone and thank you for joining us today, I hope [indiscernible] (03:48:18) through the presentations today, where we've provided you a deeper immersion in our areas of greatest strength. You've gained a greater understanding of our company. You've heard this morning from our amazing executive team about the opportunities we have for continued, sustainable growth given both the multiple strengths we have across categories, brands, markets and channel and with the new capabilities we have built in addition to our historic strengths.

As Fabrizio indicated, we are a very different company than we were just 10 years ago and we have to be. As the final formal presentation to you, followed by William's closing remarks and then lunch and hopefully all of you would join us for lunch where we will take additional questions and answers, I would like to share with you how we have developed a financial model that supports the continuous cycle of profitable growth with cost savings, leverage, reinvestment and margin improvement.

Over the past decade, we have delivered outstanding financial results. Our average annual sales growth in constant currency has been 8% at the top end of our long-term goals and through disciplined expense management, we have also delivered operating leverage which, combined with our sales growth, has yielded 21% earnings per share growth compounded annually. The cumulative \$16 billion in operating cash flow that we

generated over this time horizon has been invested in continuing to strengthen our brand portfolio and expand our global reach, with excess cash returned to stockholders through dividends and share repurchases.

This financial model has also delivered outstanding annualized total stockholder return of 28%, significantly exceeding the S&P 500 Consumer Staples and Peer Group.

We accomplished these results despite changes in brand, category and consumer dynamics, significant shifts in media influence models and a period of slowdown, followed by an acceleration in Chinese consumption. We achieved these results largely because of the actions we took to invest in digital, expand in fast-growing channels and markets and acquire new brands.

Within this dynamic global environment, we have continued to deliver strong profit growth, with sales growth that consistently exceeded the overall global prestige beauty growth. Today, The Estée Lauder Companies sales are far more diversified. Geographically, all regions have grown, with our international markets growing faster as you just heard from our wonderful panel and with high-growth emerging markets now representing a greater percentage of our annual sales, we have an even better balance of opportunities to deliver consistent top-line growth into the future.

We know we will continue to experience market volatility, but with greater diversification, when one market softens, another potentially strengthens. By channel, you've seen even greater intentional diversification as we have expanded our presence in increasingly important additional channels of distribution for consumers, notably, Travel Retail, Online and Specialty. Today, we are well-represented across brand-building prestige channels. Our ability to focus on and excel in the fastest growth areas has fueled our above-market results. You heard earlier from Olivier on Travel Retail, Cedric and his terrific team just now on Emerging Markets and Dennis on Online why we expect to continue to be able to leverage the opportunities in these areas. And our agile financial model allows us to quickly invest behind these important growth opportunities. And while North America has been a more challenging growth story for us in recent years, you heard from Chris the plans we have to re-establish market share growth in our home market.

At the same time, our brand portfolio has also become diverse, giving us more levers of growth. Andrew explained how we use M&A to address long-term strategic opportunities, while John told you about our unparalleled capacity to develop strong brands over time. Today, we have eight brands in the portfolio, delivering annual sales above \$500 million, giving us greater balance of growth and reduced risk if one brand is underperforming in any given period. 10 years ago, we were heavily concentrated in three large brands, with developing brands playing a small overall role. Over time, we have successfully nurtured some of these developing brands and scaled them to be more meaningful contributors to our brand diversification strategy. Think La Mer and Jo Malone.

At any given time, we have small brands we are nurturing and investing behind to build their loyal consumer base and geographic reach, to grow them into medium brands in the future when they are of a reasonable enough size to contribute more meaningfully to our overall incremental sales and profit growth. So we have a built-in organic engine of growth, with 30 brands scaling between the various categories of developing and medium-size brands. This ongoing pipeline of brands at different maturity levels positions us well for continued diversity of brand incremental profit growth over time, with the ability to also support strong organic growth for multiple years. Today, we have a proven strategy that we will continue to support to take certain of our developing brands and scale them, even as M&A remains an important driver to our long-term strategic plans.

Our outstanding brand portfolio has helped us develop a more well-balanced product category mix. We are leaders, in fast-growth makeup and skin care sub-categories like foundations, lip products and serums. We continue to develop our hero franchises, many of which by themselves would be large indie brands. We are leading in the fast-growing artisanal and luxury fragrance sub-category, helping us to develop a more profitable and growing fragrance business. And we continually innovate across categories to drive sales growth and deliver a superior consumer experience.

We've achieved consistency in our sales growth, due in large part to the investments made possible by our improved cost structure. We have systematically transformed our P&L to focus on investment on new growth drivers and new capabilities, while addressing areas that can be done more efficiently. While we increased investment and drivers of top line growth, we also quadrupled our operating income and more than doubled our margin.

Importantly, we have a more flexible model today, which should allow us to better navigate economic downturns, without sacrificing growth. Much of this has been accomplished through our multi-year Leading Beauty Forward initiative. We launched Leading Beauty Forward from a position of strength, as we were already meeting our financial objectives, but recognize the opportunity to accelerate progress on our strategic objectives. The program is helping to accelerate the strengthening of our operating and financial model so that we can continue investing behind the biggest opportunity areas of growth.

A few examples, we are improving our business planning, new product launch and go-to-market capabilities through investments in new technologies, enhanced analytics and the continued focus on developing and strengthening our talent.

We have created a new cross-functional shared services group that delivers internal services with greater efficiency and leverages mobile and digital technologies. In addition to cost savings through efficiency, shared services free up time for our employees to focus on business building activities.

Leading Beauty Forward is helping to improve almost every aspect of our business. From ideation and innovation through how we operate our business in a more agile and digitally enabled manner. Leading Beauty Forward initiatives accelerate many of the important improvements and capability that contribute to our long-term sustainable growth.

We are pleased that Leading Beauty Forward is projected to deliver greater savings than originally planned. As previously announced, we now expect to realize an annual net benefit of \$350 million to \$450 million before taxes when the program is complete in fiscal 2021. We are gaining efficiencies, leveraging growth and enhancing our profitability. Leading Beauty Forward is also helping us to continue investing in areas that will drive our growth in the future such as digital advertising, social media, talent acquisition and development, technology analytics and other capabilities. We expect the benefits from Leading Beauty Forward to help fuel our long term profitable growth while creating more flexibility to achieve our strategic goals and profit targets. Our disciplined capital allocation has also supported our superior returns. Our first priority is to invest in the business to support our sustainable growth strategy followed by investing in strategic acquisitions that can earn an acceptable return on invested capital and enhance our global position in Prestige Beauty.

We then return the excess cash flow – free cash flow to stockholders via the combination of dividends and share repurchases. For the 10 years ending fiscal 2019, we expect to have reinvested \$7 billion in our business through capital expenditures and acquisitions. We have increased our quarterly dividend by more than 500% and expect by the end of this fiscal year to have returned \$6 billion in the form of stock repurchases. The disciplined financial

management and capital allocation strategy has delivered total shareholder return of 983% through the end of February and as Fabrizio indicated, hopefully a 1000% in the near future significantly above both peers and the overall market. And importantly, we are well-positioned for continued profitable growth in the future.

We expect Global Prestige Beauty to average about 5% growth annually over the long term, driven by the favorable demographic trends Fabrizio mentioned earlier, and you heard from our panelists. We have a world-class brand portfolio that we can effectively deploy against opportunities by channel, geography, product category, and consumer segment. The diversity and balance of our business by region and channel helps to minimize the risk from a single area of the business helping us for our sales overall. The financial discipline and flexibility we have designed into our business allow us to continue investing behind growth drivers while delivering our profit targets. We have a strong balance sheet giving us a great optionality for capital investment, M&A, debt service and returning cash to stockholders and best of all and certainly best of all, we have a terrific bench of proven talent that can continue to ensure the ongoing execution of our strategy.

So our future continues to be quite exciting. And speaking of our future, over the next three years, we expect the multiple drivers of our 6% to 8% sales growth targets to remain relatively balanced. Fabrizio mentioned one of the benefits of being a prestige luxury company is our pricing power. We expect to continue to derive about two points of net sales growth annually from pricing to offset cost inflation and keep our brands aspirational. As you heard, we still have a lot of runway with many of the brands in our portfolio to expand both geographically and further into channels like Online and Travel Retail. This new distribution is expected to contribute approximately two additional points of growth. We continue to look for investments that are a good strategic fit and we expect acquisitions to contribute about one point of growth over three years. Like door growth, like pricing supported by our compelling innovations is expected to deliver the remaining two points to three points of our growth.

We are well-positioned to continue to improve our operating margin, while funding our growth priorities. We continue to expect to deliver an average of 50 basis points of margin improvement per year in constant currency over the next few years. Approximately, one-third of this improvement is expected in gross margin, as our high margin Skin Care category continues to lead growth in our largest emerging market and our investments in supply chain capabilities [ph] pay (04:02:09) dividends. We expect to continue to achieve greater leverage of our selling expense as we drive efficiencies throughout our various business model and grow more quickly in channels that require less direct selling.

At the same time, we plan to improve the productivity of our store selling cost through better systems and processes for aligning door traffic and staffing hours. Other operating expenses are expected to decline by approximately 80 basis points as savings from leading beauty forward initiative particularly increased shared services and lower and direct procurement cost take [ph] route (04:02:46).

We expect to use a portion of these improvements to reinvest in high growth channels to be able to support our future growth. Key areas of reinvestment include growth drivers like advertising, R&D and innovation capabilities. You saw some amazing in-store presentations, some amazing advertising and that is reflective of a prestige company. We are able to make the needed investments in technology and supply chain and we can invest appropriately against our aspirations in the corporate responsibility and sustainability initiatives that Fabrizio announced today.

We are able to finance many of these priorities with the savings unleashed by Leading Beauty Forward, the potential tailwinds from positive mix and other cost savings and efficiencies. In fiscal 2019, we expect cash flow from operations of approximately \$2.4 billion and capital expenditures are planned at approximately \$835 million resulting in free cash flow of course of approximately \$1.6 billion. Over the next three years, we expect annual

cash flow from operations to rise to nearly \$4 billion, an annual free cash flow of as much as \$3 billion. This will be driven by our double digit earnings growth as well as working capital efficiencies.

Over the next three years, we expect higher levels of capital investment in order to increase the capabilities and capacity of our supply chain, enable enhanced consumer experiences with our new technology and invest in our facilities to optimize our workspace.

We will continue to exercise disciplined capital allocation by prioritizing investing in the business to support our organic growth, which is where we see our highest return on investment and strategic acquisitions to continue strengthening our category and brand portfolio as we indicated earlier at the right price.

We expect to return excess cash flow, free cash flow to stockholders via dividends and stock repurchases. We continue to review our dividend on an annual basis and our goal is to keep it within the larger framework of a sustainable payout ratio in comparable with other growth oriented companies. We believe a strong single-A credit rating is appropriate as it provides financial flexibility to invest in growth, M&A and to weather or financial downturn.

In summary, we expect our strong sales and double digit EPS growth to continue. We are confirming our previous guidance provided for the third quarter and full year of fiscal 2019. This fiscal year, we expect to deliver top line growth ahead of our long-term goals with approximately 50 basis points of margin growth and EPS rising mid-teens.

Over the ensuing three years, our goal is to grow sales between 6% to 8%, deliver an average 50 basis points of margin expansion and double-digit EPS growth. We also remain mindful of all of the risks called out in our earnings release, 10-Q and 10-K that could affect consumer spending in certain countries and in travel quarters.

So, in closing, we are proud of the performance we've delivered and we are even more excited for the future. We are a leader, I would say, the leader in global prestige beauty given our size, a dynamic industry with a best attributes of both luxury and staples. We are a pure play in prestige beauty yet well balanced and diversified by brand, channel and geography.

This diversity positions us well to prosper from the many opportunities you heard about today. Our financial agility allows us to continue investing strategically and delivering superior total shareholder return. And last but not least, our value should continue to allow us to attract and retain great talent like what you saw today to help us achieve our sustainability initiatives and manage our business responsibly and for the long-term.

Now, I'd like to invite William Lauder to the stage to make some closing remarks.

William P. Lauder

Executive Chairman, The Estée Lauder Companies, Inc.

Tracey, thank you very much for that introduction. I want to thank everybody for joining us this morning. We're grateful for you to be spending your valuable time with us today. You as our investors are a part of the ELC family. This morning we've seen members of a world class team we have the privilege of working with every day. Our remarkable performance is due to our leaders and the thousands of employees whom they lead every day.

Our diverse leadership team is a powerhouse of talent each of whom brings with them or him the smarts the skills we leverage to drive us forward. Over the past decade, our team has driven remarkable and increasingly profitable growth from our stockholders.

I would particularly like to recognize Fabrizio Freda, our President and CEO and my partner and friend who's outstanding leadership and strategic vision are reflected in our impressive results. Fabrizio has truly led our global culture of excellence.

One of the many benefits of our family's significant ownership is that we are patient capital, allowing management to focus on long-term investments, resilience and culture. Patient capital combined with our family values are an unbeatable combination. Patient capital provides the work environment in which our people can their best, take risks, be creative, and win. Our culture of a challenger spirit, which my father brought to the company is evident in all you've seen this morning. We are investing to win everywhere we compete and we are building the new skills to leverage technology.

As we build value for our shareholders, we do so equally committed to our strong family values. This underlines how we treat our people, how we treat the social and environmental world in which we live and work. Many companies today talk about values. Few have been living their values as closely as we have been since our founding in 1946. It's truly a part of who we are.

We're winning in recruiting, attracting the best and most diverse talent in the world. We retain our people, reward them and treat them with dignity and respect. These efforts have led us to once again be ranked among Fortune's 50 Best Places to Work in the Fortune 500 from China to the UAE to Mexico, this recognition is global. I am so proud that our employees have created programs that drive our shared commitment to citizenship and sustainability.

I want to highlight just a few of our initiatives. The breast cancer campaign started in 1992 by my mother Evelyn Lauder is the Estée Lauder Companies' largest corporate philanthropic initiative. It unites and inspires our employees and consumers around the globe. I'm proud to share our updated fundraising numbers with you for the first time today. The campaign has raised more than \$79 million globally to support lifesaving cancer research, education and medical services.

Through our girls' education initiative, the Estée Lauder Companies help underserve girls worldwide acquire skills they need for themselves and their communities. In the past year, the initiative reached over a 140,000 girls and boys too, in more than 20 countries. Since its founding 25 year ago, M.A.C and its retailers have raised more than \$480 million for the M.A.C AIDS Fund through the brand's annual Viva Glam campaign. And through our ELC Good Works program, that matches employee gifts and encourages volunteerism in the U.S., our employees give back with their money and time at a rate four times higher than the U.S. industry average.

We're committed to doing our part to sustain a healthy and beautiful planet. As Fabrizio described earlier, we're striving to make important environmental progress. For example, we've reduced our carbon emissions intensity from by nearly 47% since fiscal 2008, and have committed to be carbon neutral by the end of 2020. We've achieved zero waste to landfill for our largest manufacturing and distribution sites in the U.S., Canada, the UK, Belgium and Switzerland.

We want to thank you for being on this incredible journey with us. I have every confidence that we will deliver the result we project and I fervently believe that The Estée Lauder Companies is a very attractive long-term investment.

Fabrizio, Tracey, and their team have shared with you today our winning strategy. The team has demonstrated our unique industry leading capabilities. This strategy, with this CFO and this CEO, and this team enjoy the full

coincidence of myself, our entire board, and the Lauder family. The wind is in our sales and we continue to power amazing results and make our company stronger than ever.

On behalf of Fabrizio, Tracey, and the entire ELC leadership and family, I want to thank each of you for your continued confidence in our company and our future. And as I'm the last thing that stands between you and lunch, I just want to say thank you for your time. Please look for members of the ELC team in the audience, we have the blue name badges on and we'll be happy to talk to you about what we love so much, which is our company. Thank you for joining us.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2019 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.