UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-14064

The Estée Lauder Companies Inc.

(Exact name of registrant as specified in its charter)

Delaware	**11-2408943**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
767 Fifth Avenue, New York, New York	**10153**
(Address of principal executive offices)	(Zip Code)

212-572-4200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $.01 par value	EL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At October 24, 2024, 233,435,997 shares of the registrant's Class A Common Stock, $.01 par value, and 125,542,029 shares of the registrant's Class B Common Stock, $.01 par value, were outstanding.

THE ESTÉE LAUDER COMPANIES INC.

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements.*

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Unaudited)

(In millions, except per share data)	Three Months Ended September 30 2024	Three Months Ended September 30 2023
Net sales	$ 3,361	$ 3,518
Cost of sales	928	1,070
Gross profit	2,433	2,448
Operating expenses		
Selling, general and administrative	2,298	2,349
Restructuring and other charges	97	1
Talcum litigation settlement agreements	159	—
Total operating expenses	2,554	2,350
Operating income (loss)	(121)	98
Interest expense	92	95
Interest income and investment income, net	35	41
Other components of net periodic benefit cost	2	(2)
Earnings (loss) before income taxes	(180)	46
Provision (benefit) for income taxes	(24)	10
Net earnings (loss)	(156)	36
Net earnings attributable to redeemable noncontrolling interest	—	(5)
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	$ (156)	$ 31
Net earnings (loss) attributable to The Estée Lauder Companies Inc. per common share		
Basic	$ (.43)	$ 0.09
Diluted	$ (.43)	$ 0.09
Weighted average common shares outstanding		
Basic	359.6	358.4
Diluted	359.6	360.5

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	Three Months Ended September 30 2024	2023
Net earnings (loss)	$ (156)	$ 36
Other comprehensive income (loss):		
Net cash flow hedge gain (loss)	(57)	19
Cross-currency swap contract gain	12	—
Retirement plan and other retiree benefit adjustments	2	(1)
Translation adjustments	108	(120)
Benefit (provision) for income taxes on components of other comprehensive income	18	(38)
Total other comprehensive income (loss), net of tax	83	(140)
Comprehensive loss	(73)	(104)
Comprehensive loss (income) attributable to redeemable noncontrolling interest:		
Net earnings	—	(5)
Translation adjustments	—	11
Total comprehensive loss attributable to redeemable noncontrolling interest	—	6
Comprehensive loss attributable to The Estée Lauder Companies Inc.	$ (73)	$ (98)

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share and per share data)	September 30 2024	June 30 2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,350	$ 3,395
Accounts receivable, net	1,977	1,727
Inventory and promotional merchandise	2,255	2,175
Prepaid expenses and other current assets	633	625
Total current assets	7,215	7,922
Property, plant and equipment, net	3,233	3,136
Other assets		
Operating lease right-of-use assets	1,973	1,833
Goodwill	2,162	2,143
Other intangible assets, net	5,207	5,183
Other assets	1,527	1,460
Total other assets	10,869	10,619
Total assets	$ 21,317	$ 21,677
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	$ 504	$ 504
Accounts payable	1,135	1,440
Operating lease liabilities	393	354
Other accrued liabilities	3,454	3,404
Total current liabilities	5,486	5,702
Noncurrent liabilities		
Long-term debt	7,311	7,267
Long-term operating lease liabilities	1,802	1,701
Other noncurrent liabilities	1,634	1,693
Total noncurrent liabilities	10,747	10,661
Commitments and contingencies		
Equity		
Common stock, $.01 par value; Class A shares authorized: 1,300,000,000 at September 30, 2024 and June 30, 2024; shares issued: 471,407,641 at September 30, 2024 and 471,018,569 at June 30, 2024; Class B shares authorized: 304,000,000 at September 30, 2024 and June 30, 2024; shares issued and outstanding: 125,542,029 at September 30, 2024 and June 30, 2024	6	6
Paid-in capital	6,778	6,685
Retained earnings	13,031	13,427
Accumulated other comprehensive loss	(1,057)	(1,140)
	18,758	18,978
Less: Treasury stock, at cost; 237,972,181 Class A shares at September 30, 2024 and 237,871,995 Class A shares at June 30, 2024	(13,674)	(13,664)
Total equity	5,084	5,314
Total liabilities and equity	$ 21,317	$ 21,677

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended September 30 2024	2023
Cash flows from operating activities		
Net earnings (loss)	$ (156)	$ 36
Adjustments to reconcile net earnings (loss) to net cash flows from operating activities:		
Depreciation and amortization	208	203
Deferred income taxes	(79)	(57)
Non-cash stock-based compensation	74	80
Net loss on disposal of property, plant and equipment	1	1
Non-cash restructuring and other charges	11	2
Pension and post-retirement benefit expense	18	13
Pension and post-retirement benefit contributions	(32)	(54)
Other non-cash items	1	7
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(219)	(477)
Decrease (increase) in inventory and promotional merchandise	(10)	62
Increase in other assets, net	(47)	(17)
Decrease in accounts payable	(337)	(255)
Increase (decrease) in other accrued and noncurrent liabilities	(100)	51
Decrease in operating lease assets and liabilities, net	(3)	(3)
Net cash flows used for operating activities	(670)	(408)
Cash flows from investing activities		
Capital expenditures	(141)	(295)
Purchases of investments	(1)	—
Settlement of net investment hedges	(18)	—
Net cash flows used for investing activities	(160)	(295)
Cash flows from financing activities		
Repayments of current debt, net	—	(1)
Repayments and redemptions of long-term debt	(1)	(3)
Net proceeds from stock-based compensation transactions	15	15
Payments to acquire treasury stock	(10)	(3)
Settlement of cross-currency swaps	10	9
Dividends paid to stockholders	(240)	(236)
Net cash flows used for financing activities	(226)	(219)
Effect of exchange rate changes on Cash and cash equivalents	11	(17)
Net decrease in Cash and cash equivalents	(1,045)	(939)
Cash and cash equivalents at beginning of period	3,395	4,029
Cash and cash equivalents at end of period	$ 2,350	$ 3,090

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of The Estée Lauder Companies Inc. and its subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim consolidated financial statements furnished reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the full fiscal year. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Certain prior year amounts in the notes to the consolidated financial statements have been reclassified to conform to current year presentation.

Management Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported in those financial statements. Descriptions of the Company's significant accounting policies are discussed in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024. Management evaluates the related estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from those estimates and assumptions. Significant changes, if any, in those estimates and assumptions resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

Currency Translation and Transactions

All assets and liabilities of foreign subsidiaries and affiliates are translated at period-end rates of exchange, while revenue and expenses are translated at monthly average rates of exchange for the period. Unrealized translation gains (losses), net of tax, reported as translation adjustments through other comprehensive income (loss) ("OCI") attributable to The Estée Lauder Companies Inc. were $115 million and $(143) million, net of tax, during the three months ended September 30, 2024 and 2023, respectively. For the Company's subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency, and these subsidiaries are not material to the Company's consolidated financial statements or liquidity. Remeasurement adjustments in financial statements in a highly inflationary economy and other transactional gains and losses are reflected in earnings.

The Company enters into foreign currency forward contracts and may enter into option contracts to hedge foreign currency transactions for periods consistent with its identified exposures. The Company also uses cross-currency swap contracts to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. Additionally, the Company enters into foreign currency forward contracts to hedge a portion of its net investment in certain foreign operations, which are designated as net investment hedges. See *Note 4 – Derivative Financial Instruments* for further discussion. The Company categorizes these instruments as entered into for purposes other than trading.

The accompanying consolidated statements of earnings (loss) include net exchange gains on foreign currency transactions of $19 million and $16 million during the three months ended September 30, 2024 and 2023, respectively.

Concentration of Credit Risk

The Company is a worldwide manufacturer, marketer and seller of skin care, makeup, fragrance and hair care products. The Company's sales subject to credit risk are made primarily to retailers in its travel retail business, department stores, specialty multi-brand retailers and perfumeries. The Company grants credit to qualified customers. While the Company does not believe it is exposed significantly to any undue concentration of credit risk at this time, it continues to monitor its customers' abilities, individually and collectively, to make timely payments.

The Company's largest customer during the first quarter of fiscal 2025 sells products primarily within the United States and accounted for $200 million, or 10%, and $78 million, or 4%, of the Company's accounts receivable at September 30, 2024 and June 30, 2024, respectively.

Inventory and Promotional Merchandise

Inventory and promotional merchandise consists of the following:

(In millions)	September 30, 2024	June 30, 2024
Raw materials	$ 673	$ 696
Work in process	272	308
Finished goods	1,025	903
Promotional merchandise	285	268
	$ 2,255	$ 2,175

Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In millions)	September 30, 2024	June 30, 2024
Assets (Useful Life)		
Land and improvements(1)	$ 76	$ 68
Buildings and improvements (10 to 40 years)	1,028	929
Machinery and equipment (3 to 20 years)	1,339	1,253
Computer hardware and software (4 to 10 years)	1,932	1,861
Furniture and fixtures (5 to 10 years)	141	137
Leasehold improvements	2,504	2,418
Construction in progress	470	500
	7,490	7,166
Less accumulated depreciation and amortization	(4,257)	(4,030)
	$ 3,233	$ 3,136

(1) Land improvements are depreciated over a 10 year useful life.

Depreciation and amortization of property, plant and equipment was $168 million and $162 million during the three months ended September 30, 2024 and 2023, respectively. Depreciation and amortization related to the Company's manufacturing process is included in Cost of sales, and all other depreciation and amortization is included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings (loss).

Income Taxes

The effective rate for income taxes was 13.3% and 21.7% for the three months ended September 30, 2024 and 2023, respectively. The decrease in the effective tax rate of 840 basis points was primarily attributable to the impact of the discrete treatment of the charge associated with the talcum litigation settlement agreements (See *Note 8 - Commitments and Contingencies* for further discussion) and charges associated with restructuring and other activities recorded in the first quarter of fiscal 2025. The loss before income taxes in the first quarter of fiscal 2025 increased the impact of these discrete items on the effective tax rate.

On August 16, 2022, the U.S. federal government enacted the Inflation Reduction Act, including a tax provision implementing a 15% corporate alternative minimum tax based on global adjusted financial statement income. The corporate alternative minimum tax did not have an impact on the Company's consolidated financial statements for the three months ended September 30, 2024 and 2023.

On August 26, 2024, the U.S. Tax Court issued a decision in Varian Medical Systems, Inc. v. Commissioner. The decision related to the Tax Cuts and Jobs Act deduction for certain deemed foreign dividends otherwise subject to the Transition Tax on unrepatriated earnings of applicable foreign subsidiaries. Based on the Company's evaluation of the technical merits of this decision, the Company intends to timely file a protective refund claim with the U.S. Internal Revenue Service in fiscal 2025 claiming a Transition Tax payable reduction of approximately $73 million. Although the Company has accrued the $73 million estimated tax benefit in the provision for income taxes and reduced the Transition Tax payable in the fiscal 2025 first quarter by $73 million, at this time the Company believes it is more-likely-than-not that the intended Transition Tax payable reduction claim will not be sustained. As such, in the fiscal 2025 first quarter the Company has correspondingly increased the provision for income taxes for the estimated $73 million tax benefit to establish an uncertain tax position reserve accrual for the estimated $73 million Transition Tax at issue. As a result, there was no net impact from this development in the provision for income taxes and accompanying consolidated statement of earnings (loss) for the three months ended September 30, 2024. In the accompanying consolidated balance sheet as of September 30, 2024, the $73 million Transition Tax payable reduction and offsetting $73 million uncertain tax position reserve accrual are included in Other noncurrent liabilities.

In December 2021, the Organization for Economic Cooperation and Development issued "Pillar Two" Global Anti-Base Erosion model rules for countries to enact into domestic law that would establish a 15% global minimum tax applied on a country-by-country basis for multinational companies. In certain countries that have enacted legislation incorporating the global minimum tax, it became effective for the Company at the beginning of fiscal 2025. The estimated tax impact of such legislation has been included in the provision for income taxes for the three months ended September 30, 2024 and was not material. We are continuing to monitor and evaluate the potential impact of newly enacted legislation incorporating the global minimum tax in additional countries.

As of September 30, 2024 and June 30, 2024, the gross amount of unrecognized tax benefits, exclusive of interest and penalties, totaled $138 million and $65 million, respectively. The total amount of unrecognized tax benefits at September 30, 2024 that, if recognized, would affect the effective tax rate was $128 million. The significant increase in the gross amount of unrecognized tax benefits as of September 30, 2024 as compared to June 30, 2024 was attributable to having established an uncertain tax position reserve accrual for the Transition Tax payable reduction position determined in the fiscal 2025 first quarter based on the August 26, 2024 U.S. Tax Court decision in Varian Medical Systems v. Commissioner, as discussed above. The total gross interest and penalties accrued related to unrecognized tax benefits during the three months ended September 30, 2024 in the accompanying consolidated statements of earnings (loss) was $2 million. The total gross accrued interest and penalties in the accompanying consolidated balance sheets at September 30, 2024 and June 30, 2024, was $19 million and $17 million, respectively. On the basis of the information available as of September 30, 2024, the Company does not expect significant changes to the total amount of unrecognized tax benefits within the next twelve months.

At September 30, 2024 and June 30, 2024, total Other assets of $1,527 million and $1,460 million included $1,107 million and $1,018 million of deferred tax assets, respectively.

Supplier Finance Programs

Under the Company's supplier finance programs, the Company agrees to pay the banks the stated amount of confirmed invoices from its designated suppliers on the due dates of the invoices. The Company may terminate the agreements upon written notice (with notice periods ranging from 30 to 60 days) or immediately upon a breach. The supplier invoices that have been confirmed as valid under the programs require payment in full within 90 days of the invoice date.

Outstanding obligations confirmed as valid totaling $58 million as of September 30, 2024 and June 30, 2024, are included in Accounts payable in the accompanying consolidated balance sheets.

Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In millions)	September 30, 2024	June 30, 2024
Advertising, merchandising and sampling	$ 298	$ 276
Employee compensation	442	576
Accrued sales incentives	397	426
Deferred revenue	338	327
Payroll and other non-income taxes	356	333
Accrued income taxes	182	335
Other	1,441	1,131
	$ 3,454	$ 3,404

Recently Adopted Accounting Standards

FASB ASU No. 2022-04 – Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations
In September 2022, the FASB issued authoritative guidance which is intended to enhance the transparency surrounding the use of supplier finance programs. The guidance requires companies that use supplier finance programs to make annual disclosures about the program's key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period and associated rollforward information. Only the amount outstanding at the end of the period must be disclosed in interim periods. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations.

Effective for the Company – The guidance became effective for the Company's first quarter fiscal 2024 and has been applied on a retrospective basis, except for the requirement to disclose rollforward information annually which is effective prospectively for the Company beginning in fiscal 2025.

Impact on consolidated financial statements – The Company has supplier financing arrangements and applied the disclosure requirements as required by the amendments. Such information is included in *Supplier Finance Programs* above within *Note 1 – Summary of Significant Accounting Policies*.

Recently Issued Accounting Standards

FASB ASU No. 2023-07 – Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures
In November 2023, the FASB issued authoritative guidance to improve reportable segment disclosure requirements. Companies are required to disclose significant segment expenses by reportable segment if they are regularly provided to the chief operating decision maker (CODM). Companies are also required to disclose other segment items by reportable segment. The guidance clarifies that companies may disclose more than one measure of segment profit or loss used by the CODM, provided that at least one of the reported measures includes the segment profit or loss measure that is most consistent with U.S. GAAP measurement principles. All existing annual disclosures about segment profit or loss, as well as the new requirements, must now be provided on an interim basis. Additionally, on an annual basis, the CODM's title and position is required, as well as an explanation of how the CODM uses the reported measure(s) and other disclosures. The guidance does not change how companies identify their operating segments, aggregate those operating segments, or apply the quantitative thresholds to determine their reportable segments.

Effective for the Company – The guidance is effective for the Company's fiscal year ending June 30, 2025 Form 10-K and then in interim periods beginning in the Company's first quarter of fiscal 2026. Early adoption is permitted. The guidance should be applied retrospectively unless impracticable.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its financial statement disclosures.

FASB ASU No. 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued authoritative guidance to amend and enhance existing annual income tax disclosures primarily focusing on two reporting areas: (1) greater disaggregation of information in the effective tax rate reconciliations and (2) disclosure of income taxes paid, disaggregated by applicable jurisdiction.

Companies are required to use specific categories to prepare and disclose a tabular rate reconciliation (using both percentages and reporting currency amounts) of:

- the reported income tax expense (or benefit) from continuing operations and the product of the income (or loss) from continuing operations before income taxes and the applicable statutory federal income tax rate of the jurisdiction of domicile; and
- reconciling items within certain categories that are equal to or greater than a specified quantitative threshold, including the nature, effect, and underlying causes of the reconciling items and the judgment used in categorizing the reconciling items.

The guidance also requires companies to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign jurisdictions including individual jurisdictions with amounts paid equal to or greater than a specified quantitative threshold. The guidance also codifies existing SEC rules that require companies to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign as well as income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign jurisdictions.

Effective for the Company – The guidance is effective for the Company's fiscal year ending June 30, 2026 Form 10-K. Early adoption is permitted. The guidance should be applied on a prospective basis with the option to apply the standard retrospectively.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its financial statement disclosures.

SEC Final Rule Release No. 33-11275 – The Enhancement and Standardization of Climate-Related Disclosures for Investors

In March 2024, the SEC adopted rules intended to enhance and standardize climate-related disclosures in registration statements and annual reports. The rules require significant effects of severe weather events and other natural conditions, amounts related to carbon offsets and renewable energy credits or certificates, as well as material impacts on financial estimates and assumptions that are due to severe weather events and other natural conditions or disclosed climate-related targets or transition plans to be disclosed in the annual financial statements in certain circumstances.

Effective for the Company – On April 4, 2024, the SEC issued an order staying the final rule on climate-related disclosures pending certain legal challenges. Under the rule as currently issued, the disclosure requirements related to the annual financial statements are expected to be effective for the Company's fiscal year ending June 30, 2026 Form 10-K. The Company is not required to provide comparative information in the year of adoption.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its annual financial statement disclosures.

NOTE 2 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents goodwill by product category and the related change in the carrying amount:

(In millions)	Skin Care	Makeup	Fragrance	Hair Care	Total
Balance as of June 30, 2024					
Goodwill	$ 1,612	$ 1,116	$ 253	$ 353	$ 3,334
Accumulated impairments	(429)	(732)	(30)	—	(1,191)
	1,183	384	223	353	2,143
Translation adjustments, goodwill	31	—	3	1	35
Translation adjustments, accumulated impairments	(16)	—	—	—	(16)
	15	—	3	1	19
Balance as of September 30, 2024					
Goodwill	1,643	1,116	256	354	3,369
Accumulated impairments	(445)	(732)	(30)	—	(1,207)
	$ 1,198	$ 384	$ 226	$ 354	$ 2,162

Other Intangible Assets

Other intangible assets consist of the following:

	September 30, 2024			June 30, 2024		
(In millions)	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Amortizable intangible assets:						
Customer lists and other	$ 2,025	$ 948	$ 1,077	$ 1,971	$ 895	$ 1,076
Non-amortizable intangible assets:						
Trademarks			4,130			4,107
Total intangible assets			$ 5,207			$ 5,183

The aggregate amortization expense related to amortizable intangible assets was $36 million for the three months ended September 30, 2024 and 2023.

The estimated aggregate amortization expense for the remainder of fiscal 2025 and for each of the next four fiscal years is as follows:

	Fiscal				
(In millions)	2025	2026	2027	2028	2029
Estimated aggregate amortization expense	$ 109	$ 145	$ 128	$ 103	$ 102

NOTE 3 – CHARGES ASSOCIATED WITH RESTRUCTURING AND OTHER ACTIVITIES

Restructuring Program Component of the Profit Recovery and Growth Plan

As announced on November 1, 2023, the Company launched the Profit Recovery and Growth Plan ("PRGP") to help progressively rebuild its profit margins in fiscal years 2025 and 2026.

The PRGP is focused on rebuilding stronger, more sustainable profitability, supporting sales growth acceleration and increasing speed and agility. The plan is designed to improve gross margin, lower the cost base and reduce overhead expenses, while increasing investments in key consumer-facing activities. Upon completion of this plan, the Company expects to have improved its gross margin and expense base to drive greater operating leverage for the future.

As a component of the PRGP, on February 5, 2024, the Company announced a two-year restructuring program ("Restructuring Program"). The Restructuring Program's main focus includes the reorganization and rightsizing of certain areas of the Company as well as simplification and acceleration of processes. The Company committed to this course of action on February 1, 2024.

In connection with the Restructuring Program, as of September 30, 2024, the Company continues to estimate a net reduction in the range of approximately 1,800 to 3,000 positions globally, which is about 3-5% of its positions including temporary and part-time employees as of June 30, 2023. This reduction takes into account the elimination of some positions as well as retraining and redeployment of certain employees in select areas.
The Company plans to substantially complete specific initiatives under the Restructuring Program through fiscal 2026. The Company expects that the Restructuring Program will result in restructuring and other charges totaling between $500 million and $700 million, before taxes, consisting of employee-related costs, contract terminations, asset write-offs and other costs associated with implementing these initiatives.

Restructuring Program Approvals

The Restructuring Program cumulative charges for initiatives approved by the Company during the three months ended September 30, 2024 and through October 25, 2024, were:

			Operating Expenses		
(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Restructuring Charges	Other Charges	Total
Total Charges Approved					
Cumulative charges through June 30, 2024	$ —	$ —	$ 109	$ 78	$ 187
Three months ended September 30, 2024	1	9	83	20	113
October 1, 2024 - October 25, 2024	—	—	56	1	57
Cumulative charges through October 25, 2024	$ 1	$ 9	$ 248	$ 99	$ 357

Included in the above table, Restructuring Program cumulative restructuring charges for initiatives approved by the Company during the three months ended September 30, 2024 and through October 25, 2024, by major cost type were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges Approved					
Cumulative charges through June 30, 2024	$ 93	$ 7	$ —	$ 9	$ 109
Three months ended September 30, 2024	81	—	—	2	83
October 1, 2024 - October 25, 2024	55	—	—	1	56
Cumulative charges through October 25, 2024	$ 229	$ 7	$ —	$ 12	$ 248

Specific actions taken since the Restructuring Program inception to reorganize and right-size certain areas of the Company to drive future sales growth and productivity to rebuild gross and operating margin profitability include:

- Value Chain Optimization – The Company approved initiatives to reduce spans and layers and right-size organizational capability within its supply chain and research and development functions. These actions will primarily result in employee severance through a net reduction in workforce, as well as costs to decommission and relocate activities, and asset write-offs.

- Enabling Function Re-Invention - The Company approved initiatives to reorganize and right-size its go-to market structure, including across various corporate functions. These activities will primarily result in employee severance through a net reduction in workforce.

- Future of Brand-led Model – The Company approved initiatives to focus on spans and layers to begin to develop a leaner, faster, and more agile marketing and creative organization. These activities will primarily result in employee severance through a net reduction in workforce.

- Go-to-Market Operating Model Acceleration – The Company approved initiatives to exit unprofitable brands from specific markets and distribution channels. These activities will result in inventory write-offs, employee severance through a net reduction in workforce, as well as costs associated with sales returns.

- Digital Organization Transformation – The Company approved initiatives to begin to reorganize and right-size its technology functions, which support its internal enterprise and commercial capabilities, to create a leaner, faster, more effective and more agile technology organization. These activities will primarily result in employee severance through a net reduction in workforce.

Restructuring Program Restructuring and Other Charges

The Company classifies restructuring charges as follows:

Employee-Related Costs – Employee-related costs are primarily comprised of severance and other post-employment benefit costs, calculated based on salary levels, prior service and other statutory minimum benefits, if applicable.

Asset-Related Costs – Asset-related costs primarily consist of asset write-offs or accelerated depreciation related to long-lived assets (including rights associated with commercial operating leases and operating lease right-of-use assets) that will be taken out of service prior to their existing useful life as a direct result of a restructuring initiative.

Contract Terminations – Costs related to contract terminations include continuing payments to a third party after the Company has ceased benefiting from the rights conveyed in the contract, or a payment made to terminate a contract prior to its expiration.

Other Exit Costs – Other exit costs related to restructuring activities generally include costs to relocate facilities or employees, recruiting to fill positions as a result of relocation of operations, and outplacement for separated employees.

The Company classifies other charges associated with restructuring activities as follows:

Sales Returns and Cost of Sales – Product returns (offset by the related cost of sales) and inventory write-offs or write-downs as a direct result of an approved restructuring initiative to exit certain businesses or locations will be recorded as a component of Net sales and/or Cost of sales when estimable and reasonably assured.

Other Charges – Other charges related to the design and implementation of approved initiatives, which are charged to Operating expenses as incurred and primarily include the following:

- Consulting and other professional services for organizational design of the future structures and processes as well as the implementation thereof;
- Temporary labor backfill;

- Costs to establish and maintain a Project Management Office for the duration of the Restructuring Program, including internal costs for employees dedicated solely to project management activities, and consulting services to assist with business case development; and
- Recruitment and training costs for new and reskilled employees to acquire and apply the capabilities needed to perform responsibilities as a direct result of an approved restructuring initiative.

The Company records approved charges associated with restructuring and other activities once the relevant accounting criteria have been met. Total cumulative charges recorded associated with restructuring and other activities for the Restructuring Program were:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses: Restructuring Charges	Operating Expenses: Other Charges	Total
Total Charges					
Cumulative charges through June 30, 2024	$ —	$ —	$ 92	$ 23	$ 115
Three months ended September 30, 2024	—	9	85	12	106
Cumulative charges through September 30, 2024	$ —	$ 9	$ 177	$ 35	$ 221

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges					
Cumulative charges through June 30, 2024	$ 90	$ 2	$ —	$ —	$ 92
Three months ended September 30, 2024	82	2	—	1	85
Cumulative charges through September 30, 2024	$ 172	$ 4	$ —	$ 1	$ 177

Changes in accrued restructuring charges from the Restructuring Program for the three months ended September 30, 2024 were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Balance at June 30, 2024	88	—	—	—	88
Charges	82	2	—	1	85
Cash payments	(7)	—	—	(1)	(8)
Non-cash asset write-offs	—	(2)	—	—	(2)
Translation and other adjustments	(2)	—	—	—	(2)
Balance at September 30, 2024	161	—	$ —	$ —	$ 161

Accrued restructuring charges at September 30, 2024 relating to the Restructuring Program are expected to result in cash expenditures funded from cash provided by operations of approximately $92 million, $53 million, $15 million and $1 million for the remainder of fiscal 2025 and for fiscal 2026, 2027 and 2028, respectively.

Charges associated with restructuring and other activities are not allocated to the Company's product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

Post-COVID Business Acceleration Program

The Company approved specific initiatives under the Post-COVID Business Acceleration Program (the “PCBA Program”) through fiscal 2022 and has substantially completed those initiatives. Additional information about the PCBA Program is included in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

NOTE 4 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The Company does not utilize derivative financial instruments for trading or speculative purposes. Costs associated with entering into derivative financial instruments have not been material to the Company's consolidated financial results. At September 30, 2024, the notional amount of derivatives not designated as hedging instruments was $4,026 million.

Fair Value Hedges

The Company enters into interest rate derivative contracts to manage the exposure to interest rate fluctuations on its funded indebtedness. At September 30, 2024, the Company has interest rate swap agreements, with notional amounts totaling $700 million and $300 million to effectively convert the fixed rate interest on its 2030 Senior Notes and 2031 Senior Notes, respectively, to variable interest rates based on the three-month fallback Secured Overnight Financing Rate ("SOFR") plus a margin. These interest rate swap agreements are designated as fair value hedges of the related long-term debt, and the changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

The Company enters into cross-currency swap contracts to manage the exposure of foreign exchange rate fluctuations on its intercompany foreign currency denominated debt. At September 30, 2024, the Company has cross-currency swap contracts with notional amounts totaling $491 million, to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. The cross-currency swap contracts are designated as fair value hedges of the related intercompany debt, and the gains and losses representing hedge components included in the assessment of effectiveness are presented in the same income statement line item as the earnings effect of the hedged transaction. Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis. The earnings recognition of excluded components is presented in the same income statement line item as the earnings effect of the hedged transaction. Any difference between the changes in the fair value of the excluded components and amounts recognized in earnings will be recognized in Accumulated Other Comprehensive Loss ("AOCI").

The estimated net gain on the Company's derivative instruments designated as fair value hedges as of September 30, 2024 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is $14 million. The accumulated net gain (loss) on derivative instruments designated as fair value hedges in AOCI was $5 million and $(7) million as of September 30, 2024 and June 30, 2024, respectively.

Cash Flow Hedges

The Company enters into foreign currency forward contracts, and may enter into foreign currency option contracts, to hedge anticipated transactions and receivables and payables denominated in foreign currencies, for periods consistent with the Company's identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the cash flows that the Company receives from foreign subsidiaries. The foreign currency forward contracts entered into to hedge anticipated transactions have been designated as cash flow hedges and have varying maturities through the end of June 2026. Hedge effectiveness of the foreign currency forward contracts is based on the forward method, which includes time value in the effectiveness assessment. At September 30, 2024, the Company had cash flow hedges outstanding with a notional amount totaling $1,927 million.

For foreign currency hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses in AOCI are reclassified to Net sales when the underlying forecasted transaction occurs. If it is probable that the forecasted transaction will no longer occur, then any gains or losses in AOCI are reclassified to current-period Net sales. As of September 30, 2024, the Company's foreign currency cash flow hedges were highly effective.

The Company may enter into interest rate forward contracts to hedge anticipated issuance of debt for periods consistent with the Company's identified exposures. The purpose of the hedging activities is to minimize the effect of interest rate movements on the cost of debt issuance.

The estimated net loss on the Company’s derivative instruments designated as cash flow hedges as of September 30, 2024 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is $12 million. The accumulated net gain on derivative instruments designated as cash flow hedges in AOCI was $19 million and $75 million as of September 30, 2024 and June 30, 2024, respectively.

Net Investment Hedges

The Company enters into foreign currency forward contracts, designated as net investment hedges, to hedge a portion of its net investment in certain foreign operations. Time value is excluded from the effectiveness assessment and is recognized under a systematic and rational method over the life of the hedging instrument in Selling, general and administrative expenses. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the Company’s net investment in these foreign operations. The net investment hedge contracts have varying maturities through the end of September 2025. Hedge effectiveness of the net investment hedge contracts is based on the spot method. At September 30, 2024, the Company had net investment hedges outstanding with a notional amount totaling $1,351 million.

Credit Risk

As a matter of policy, the Company enters into derivative contracts only with counterparties that have a long-term credit rating of at least A- or higher by at least two nationally recognized rating agencies. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of contracts in asset positions, which totaled $64 million at September 30, 2024. To manage this risk, the Company has strict counterparty credit guidelines that are continually monitored. Accordingly, management believes risk of loss under these hedging contracts is remote.

The fair values of the Company's derivative financial instruments included in the consolidated balance sheets are presented as follows:

	Asset Derivatives			Liability Derivatives		
		Fair Value (1)			Fair Value (1)	
(In millions)	Balance Sheet Location	September 30, 2024	June 30, 2024	Balance Sheet Location	September 30, 2024	June 30, 2024
Derivatives Designated as Hedging Instruments:						
Foreign currency cash flow hedges(2)	Prepaid expenses and other current assets; Other assets	$ 5	$ 34	Other accrued liabilities	$ 31	$ 4
Cross-currency swap contracts(3)	Prepaid expenses and other current assets; Other assets	39	80	Other accrued liabilities	—	—
Net investment hedges	Prepaid expenses and other current assets	1	15	Other accrued liabilities	30	—
Interest rate-related derivatives	Prepaid expenses and other current assets	—	—	Other accrued liabilities	104	145
Total Derivatives Designated as Hedging Instruments		45	129		165	149
Derivatives Not Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	19	19	Other accrued liabilities	23	17
Total derivatives		$ 64	$ 148		$ 188	$ 166

(1) See *Note 5 – Fair Value Measurements* for further information about how the fair value of derivative assets and liabilities are determined.

(2) Included in the asset derivatives for the foreign currency cash flow hedges at September 30, 2024 and June 30, 2024 is less than $1 million and $2 million, respectively, classified within Other assets in the accompanying consolidated balance sheets.

(3) Included in the asset derivatives for the cross-currency swap contracts at September 30, 2024 and June 30, 2024 is approximately $26 million and $70 million, respectively, classified within Other assets in the accompanying consolidated balance sheets.

The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments that are included in the assessment of effectiveness are as follows:

(In millions)	Amount of Gain (Loss) Recognized in OCI on Derivatives		Location of Gain (Loss) Reclassified from AOCI into Earnings	Amount of Gain Reclassified from AOCI into Earnings[1]	
	Three Months Ended September 30			Three Months Ended September 30	
	2024	2023		2024	2023
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	$ (47)	$ 28	Net sales	$ 10	$ 9
Interest rate-related derivatives	—	—	Interest expense	—	—
	(47)	28		10	9
Derivatives in Net Investment Hedging Relationships[2]:					
Foreign currency forward contracts[3]	(64)	30		—	—
Total derivatives	$ (111)	$ 58		$ 10	$ 9

(1) There is no amount reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that forecasted transactions will not occur by the end of the original time period.

(2) During the three months ended September 30, 2024 and 2023, the gain recognized in earnings from net investment hedges related to the amount excluded from effectiveness testing was $7 million and $5 million, respectively.

(3) Included within translation adjustments as a component of AOCI on the Company's consolidated balance sheets.

(In millions)	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives	
		Three Months Ended September 30	
		2024	2023
Derivatives in Fair Value Hedging Relationships:			
Cross-currency swap contracts [1]	Selling, general and administrative	$ (53)	$ 13
Interest rate swap contracts [2]	Interest expense	$ 41	$ (29)

(1) Changes in the fair value representing hedge components included in the assessment of effectiveness of the cross-currency swap contracts are exactly offset by the change in the fair value of the underlying intercompany foreign currency denominated debt. The gain recognized in earnings from cross-currency swap contracts related to the amount excluded from effectiveness testing during the three months ended September 30, 2024 and 2023 was $4 million and $5 million, respectively.

(2) Changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

Additional information regarding the cumulative amount of fair value hedging gain (loss) recognized in earnings for items designated and qualifying as hedged items in fair value hedges is as follows:

(In millions)

Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Carrying Amount of the Hedged Liabilities	Cumulative Amount of Fair Value Hedging Gain (Loss) Included in the Carrying Amount of the Hedged Liability
	September 30, 2024	September 30, 2024
Long-term debt	$ 890	$ (104)
Intercompany debt	$ —	$ 34

Additional information regarding the effects of fair value and cash flow hedging relationships for derivatives designated and qualifying as hedging instruments is as follows:

	Three Months Ended September 30					
	2024			2023		
(In millions)	Net Sales	Selling, General and Administrative	Interest Expense	Net Sales	Selling, General and Administrative	Interest Expense
Total amounts of income and expense line items presented in the consolidated statements of earnings (loss) in which the effects of fair value and cash flow hedges are recorded	$ 3,361	$ 2,298	$ 92	$ 3,518	$ 2,349	$ 95
The effects of fair value and cash flow hedging relationships:						
Gain (loss) on fair value hedge relationships – interest rate contracts:						
Hedged item	N/A	N/A	(41)	N/A	N/A	29
Derivatives designated as hedging instruments	N/A	N/A	41	N/A	N/A	(29)
Gain (loss) on fair value hedge relationships – cross-currency swap contracts:						
Hedged item	N/A	53	N/A	N/A	(13)	N/A
Derivatives designated as hedging instruments	N/A	(53)	N/A	N/A	13	N/A
Loss on cash flow hedge relationships – interest rate contracts:						
Amount of loss reclassified from AOCI into earnings	N/A	N/A	—	N/A	N/A	—
Gain on cash flow hedge relationships – foreign currency forward contracts:						
Amount of gain reclassified from AOCI into earnings	10	N/A	N/A	9	N/A	N/A

N/A (Not applicable)

The amount of gains and losses related to the Company’s derivative financial instruments not designated as hedging instruments are presented as follows:

(In millions)	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives — Three Months Ended September 30, 2024	Amount of Gain (Loss) Recognized in Earnings on Derivatives — Three Months Ended September 30, 2023
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward contracts	Selling, general and administrative	$ (50)	$ 5

The Company's derivative instruments are subject to enforceable master netting agreements. These agreements permit the net settlement of these contracts on a per-institution basis; however, the Company records the fair value on a gross basis on its consolidated balance sheets based on maturity dates, including those subject to master netting arrangements. The following table provides information as if the Company had elected to offset the asset and liability balances of derivative instruments, netted in accordance with various criteria in the event of default or termination as stipulated by the terms of netting arrangements with each of the counterparties:

	As of September 30, 2024			As of June 30, 2024		
(In millions)	Gross Amounts of Assets / (Liabilities) Presented in Balance Sheet	Contracts Subject to Netting	Net Amounts of Assets / (Liabilities)	Gross Amounts of Assets / (Liabilities) Presented in Balance Sheet	Contracts Subject to Netting	Net Amounts of Assets / (Liabilities)
Derivative Financial Contracts						
Derivative assets	$ 64	$ (40)	$ 24	$ 148	$ (49)	$ 99
Derivative liabilities	(188)	40	(148)	(166)	49	(117)
Total	$ (124)	$ —	$ (124)	$ (18)	$ —	$ (18)

NOTE 5 – FAIR VALUE MEASUREMENTS

The Company records certain of its financial assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. The accounting for fair value measurements must be applied to nonfinancial assets and nonfinancial liabilities that require initial measurement or remeasurement at fair value, which principally consist of assets and liabilities acquired through business combinations and goodwill, indefinite-lived intangible assets and long-lived assets for the purposes of calculating potential impairment. The Company is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument’s valuation.

The following table presents the Company’s hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2024:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 640	$ —	$ —	$ 640
Foreign currency forward contracts	—	25	—	25
Cross-currency swap contracts	—	39	—	39
Total	$ 640	$ 64	$ —	$ 704
Liabilities:				
Foreign currency forward contracts	$ —	$ 84	$ —	$ 84
Interest rate-related derivatives	—	104	—	104
Total	$ —	$ 188	$ —	$ 188

The following table presents the Company’s hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2024:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 1,507	$ —	$ —	$ 1,507
Foreign currency forward contracts	—	68	—	68
Cross-currency swap contracts	—	80	—	80
Total	$ 1,507	$ 148	$ —	$ 1,655
Liabilities:				
Foreign currency forward contracts	$ —	$ 21	$ —	$ 21
Interest rate-related derivatives	—	145	—	145
Total	$ —	$ 166	$ —	$ 166

The estimated fair values of the Company’s financial instruments are as follows:

	September 30, 2024		June 30, 2024	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives				
Cash and cash equivalents	$ 2,350	$ 2,350	$ 3,395	$ 3,395
Current and long-term debt	7,815	7,561	7,771	7,174
Deferred consideration payable	344	347	341	340
Derivatives				
Cross-currency swap contracts - asset	39	39	80	80
Foreign currency forward contracts – asset (liability), net	(59)	(59)	47	47
Interest rate-related derivatives – liability	(104)	(104)	(145)	(145)

The following methods and assumptions were used to estimate the fair value of the Company's financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents – Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash deposits in interest bearing accounts, time deposits and money market funds (classified within Level 1 of the valuation hierarchy). Cash deposits in interest bearing accounts and time deposits are carried at cost, which approximates fair value, due to the short maturity of cash equivalent instruments.

Foreign currency forward contracts – The fair values of the Company's foreign currency forward contracts were determined using an industry-standard valuation model, which is based on an income approach. The significant observable inputs to the model, such as swap yield curves and currency spot and forward rates, were obtained from an independent pricing service. To determine the fair value of contracts under the model, the difference between the contract price and the current forward rate was discounted using SOFR forward curves.

Cross-currency swap contracts – The fair values of the Company's cross-currency swap contracts were determined using an industry-standard valuation model, which is based on the income approach. The significant observable inputs to the model, such as yield curves and currency spot and forward rates, were obtained from independent pricing services.

Interest rate-related derivatives – The fair values of the Company's interest rate contracts were determined using an industry-standard valuation model, which is based on the income approach. The significant observable inputs to the model, such as treasury yield curves, swap yield curves and SOFR forward curves, were obtained from independent pricing services.

Current and long-term debt – The fair value of the Company's debt was estimated based on the current rates offered to the Company for debt with the same remaining maturities. To a lesser extent, debt also includes finance lease obligations for which the carrying amount approximates the fair value. The Company's debt is classified within Level 2 of the valuation hierarchy.

Deferred consideration payable – The deferred consideration payable consists primarily of deferred payments associated with the fiscal 2023 fourth quarter acquisition of TOM FORD. The fair value of the payments treated as deferred consideration payable are calculated based on the net present value of cash payments using an estimated borrowing rate based on quoted prices for a similar liability. The Company's deferred consideration payable is classified within Level 2 of the valuation hierarchy.

NOTE 6 – REVENUE RECOGNITION

Accounts Receivable

Accounts receivable, net is stated net of the allowance for doubtful accounts, including credit losses, and customer deductions totaling $31 million and $26 million as of September 30, 2024 and June 30, 2024, respectively. Payment terms are short-term in nature and are generally less than one year.

Changes in the allowance for credit losses are as follows:

(In millions)		September 30, 2024
Balance at June 30, 2024	$	14
Provision for expected credit losses		4
Write-offs, net & other		—
Balance at September 30, 2024	$	18

The remaining balance of the allowance for doubtful accounts and customer deductions of $13 million and $12 million as of September 30, 2024 and June 30, 2024, respectively, relates to non-credit losses, which are primarily due to customer deductions.

Deferred Revenue

Changes in deferred revenue during the period are as follows:

(In millions)	Three Months Ended September 30 2024	2023
Deferred revenue, beginning of period	$ 560	$ 572
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(148)	(152)
Revenue deferred during the period	154	168
Other	1	(7)
Deferred revenue, end of period	$ 567	$ 581

Transaction Price Allocated to the Remaining Performance Obligations

At September 30, 2024, the combined estimated revenue expected to be recognized in the next twelve months related to performance obligations for customer loyalty programs, gift with purchase promotions, purchase with purchase promotions, gift card liabilities and the Marcolin license arrangement related to TOM FORD that are unsatisfied (or partially unsatisfied) is $338 million. The remaining balance of deferred revenue at September 30, 2024 will be recognized beyond the next twelve months, of which $220 million relates to the non-refundable upfront payment received as part of the Marcolin licensing arrangement that is being recognized on a straight-line basis over the estimated economic life of the license, which is 20 years.

Royalty Revenue – License Arrangements

The Company's contractually guaranteed minimum royalty amounts due during future periods under its existing license arrangements is disclosed in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

NOTE 7 – PENSION AND POST-RETIREMENT BENEFIT PLANS

The Company maintains pension plans covering substantially all of its full-time employees for its U.S. operations and a majority of its international operations. The Company also maintains post-retirement benefit plans that provide certain medical and dental benefits to eligible employees. Descriptions of these plans are included in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

The components of net periodic benefit cost for the three months ended September 30, 2024 and 2023 consisted of the following:

	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
(In millions)	2024	2023	2024	2023	2024	2023
Service cost	$ 9	$ 9	$ 7	$ 6	$ —	$ —
Interest cost	13	12	5	5	2	2
Expected return on plan assets	(13)	(14)	(7)	(6)	—	—
Amortization of:						
Actuarial loss (gain)	5	1	(1)	(2)	—	—
Prior service cost	—	—	—	—	(2)	—
Net periodic benefit cost	$ 14	$ 8	$ 4	$ 3	$ —	$ 2

The amounts recognized in the consolidated balance sheets related to the Company's pension and post-retirement benefit plans consist of the following:

(In millions)	September 30, 2024	June 30, 2024
Other assets	$ 132	$ 125
Other accrued liabilities	(44)	(44)
Other noncurrent liabilities	(327)	(339)
Funded status	(239)	(258)
Accumulated other comprehensive loss	241	243
Net amount recognized	$ 2	$ (15)

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved, from time to time, in litigation and other legal proceedings incidental to its business, including product liability matters (including asbestos-related claims), advertising, regulatory, employment, intellectual property, real estate, environmental, trade relations, securities, tax, and privacy. Management believes that the outcome of current litigation and legal proceedings will not have a material adverse effect upon the Company's business, results of operations, financial condition or cash flows. However, management's assessment of the Company's current litigation and other legal proceedings could change in light of the discovery of facts with respect to legal actions or other proceedings pending against the Company not presently known to the Company or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or proceedings.

The Company establishes accruals for loss contingencies when it has determined that a loss is probable and that the amount of loss, or range of loss, can be reasonably estimated. Amounts accrued for legal contingencies often result from a complex series of judgments about future events and uncertainties that rely on estimates and assumptions including timing of related payments. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances. The Company also determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that a loss is reasonably possible, and it is able to determine such estimates. Legal defense costs are recognized as incurred when the legal services are provided.

Reasonably possible losses in addition to the amounts accrued for such litigation and legal proceedings are not expected to be material to the Company's consolidated financial statements (refer below for the Company's Securities Class Action and Derivative Matters and Cosmetic Talcum Powder Matters and related assessment of these loss contingencies).

Securities Class Action and Derivative Matters

On December 7, 2023 and January 22, 2024, the Company and its Chief Executive Officer and Chief Financial Officer were named as defendants in separate purported securities class action complaints filed in the United States District Court for the Southern District of New York. On February 20, 2024, those two purported securities class actions were consolidated into one action. On March 22, 2024, plaintiffs filed their consolidated amended class action complaint, which alleges that defendants made materially false and misleading statements during the period February 3, 2022 to October 31, 2023 in press releases, the Company's public filings and during conference calls with analysts that artificially inflated the price of the Company's stock in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. Defendants intend to defend the action vigorously.

On February 1, 2024 and March 15, 2024, shareholder derivative action complaints were filed against certain of the Company's officers, all the Company's directors as of those dates and certain of the Company's former directors as of those dates in the United States District Court for the Southern District of New York. In April 2024, both complaints were voluntarily dismissed without prejudice; and, subsequently, one of the former derivative plaintiffs made a litigation demand, requesting, among other things, that the Company's Board of Directors investigate potential claims on behalf of the Company based on the same alleged course of conduct identified in the securities case complaint (which were also reflected in the dismissed shareholder derivative actions complaints) described above. In June 2024, the other former derivative plaintiff made a books and records demand on the Company related to any documents relevant to the same alleged course of conduct referenced above.

As of September 30, 2024, it is not probable or reasonably possible that we will incur material losses as a result of the securities class action and derivative matters.

Cosmetic Talcum Powder Matters

The Company has been named as a defendant in civil actions alleging that certain cosmetic talcum powder products sold by the Company were contaminated with asbestos. Most of these actions involve a number of co-defendants from a variety of different industries. As of September 30, 2024, there were 151 individual cases (including cases that were settled in subsequent talcum litigation settlement agreements described below) pending against the Company in state and federal courts throughout the United States, as compared to 273 cases as of June 30, 2024. During the three months ended September 30, 2024, 35 new cases were filed and 157 cases were resolved by settlement or voluntary dismissal (including pursuant to the cases that were settled in subsequent talcum litigation settlement agreements described below).

Due to the rising number of cases against the Company, as well as the evolving litigation landscape, there is an expectation that claims may increase in the future. In order to mitigate our future exposure, from the end of August 2024 through October 2024, the Company reached agreements with certain plaintiff law firms (collectively, the "talcum litigation settlement agreements") for: (i) the resolution of over 200 pending cosmetic talcum powder matters handled by those firms as well as (ii) a process for resolving potential future cosmetic talcum powder claims expected to be brought on behalf of plaintiffs by those firms from January 1, 2025 through December 31, 2029, with annual capped amounts per year for each participating law firm.

To account for the talcum litigation settlement agreements, the Company recorded a charge of $159 million for the three months ended September 30, 2024 for the amount agreed to settle these current and potential future claims (amounts recorded for potential future claims is based on the best estimate of the probable loss and a reasonably possible loss beyond the amounts recorded is not expected to be material). As of September 30, 2024, $63 million is recorded in Other accrued liabilities and $101 million is recorded in Other noncurrent liabilities in the accompanying consolidated balance sheet related to the talcum litigation settlement agreements (inclusive of accruals recorded in prior periods for any cases settled under these agreements).

There are and could be other plaintiff law firms outside of those included in the talcum litigation settlement agreements that bring claims against the Company. The value of other settlements outside of the talcum litigation settlement agreements, either individually or in the aggregate, for the three months ended September 30, 2024 and 2023 was not material. Given the inherent uncertainties of litigation, it is not possible to predict the outcome of all individual cases pending against the Company or potential unasserted claims, and therefore a specific estimate and associated provision is made for a small number of individual cases that have advanced to the later stages of legal proceedings. For the remaining filed cases, we record an estimate of exposure loss on an aggregated and ongoing basis, which takes into account the historical outcomes of cases we have resolved to date. Any adverse outcomes, either in an individual case or in the aggregate, could be material. While the Company and its legal counsel intend to continue to defend these cases vigorously, there can be no assurances regarding the ultimate resolution of these matters. The amounts recorded during the three months ended September 30, 2024 for such litigation, outside of the talcum litigation settlement agreements, are not material to the Company's consolidated financial statements. The range of reasonably possible losses in excess of accrued liabilities currently cannot be reasonably estimated.

The Company believes that a portion of its costs incurred in defending and resolving these claims may be covered by insurance policies issued by several insurance carriers, subject to deductibles, exclusions, retentions and policy limits.

NOTE 9 – STOCK PROGRAMS

Additional information relating to the Company's stock programs are included in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Total net stock-based compensation expense is attributable to the granting of, and the remaining requisite service periods of stock options, restricted stock units ("RSUs"), performance share units ("PSUs"), long-term PSUs, including long-term price-vested units and share units. Compensation expense attributable to net stock-based compensation was $74 million and $80 million for the three months ended September 30, 2024 and 2023, respectively.

Stock Options

During the three months ended September 30, 2024, the Company granted stock options in respect of approximately 0.8 million shares of Class A Common Stock with a weighted average exercise price per share of $92.87 and a weighted average grant date fair value per share of $29.53. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model.

Restricted Stock Units

During the three months ended September 30, 2024, the Company granted RSUs in respect of approximately 3.2 million shares of Class A Common Stock with a weighted average grant date fair value per share of $92.71 that, at the time of grant, are scheduled to vest at 1.2 million, 1.1 million, and 0.9 million shares per year, in fiscal 2026, fiscal 2027 and fiscal 2028, respectively. Vesting of RSUs is generally subject to the continued employment or the retirement of the grantees. The RSUs are generally accompanied by dividend equivalent rights, payable upon settlement of the RSUs either in cash or shares (based on the terms of the particular award) and, as such, were generally valued at the closing market price of the Company's Class A Common Stock on the date of grant.

Performance Share Units

During the three months ended September 30, 2024, the Company granted PSUs with a target payout of approximately 0.3 million shares of Class A Common Stock with a grant date fair value per share of $92.87, which will be settled in stock subject to the achievement of the Company's net sales, diluted net earnings per common share and return on invested capital goals for the three fiscal years ending June 30, 2027, all subject to continued employment or the retirement of the grantees. For PSUs granted, no settlement will occur for results below the applicable minimum threshold. PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the PSUs and, as such, were valued at the closing market value of the Company's Class A Common Stock on the date of grant.

For the PSUs with a performance period ended June 30, 2024, the target goals set at the time of issuance were not achieved, resulting in no shares of the Company's Class A Common Stock issued related to these awards.

Long-term Performance Share Units

On September 3, 2024, the Company issued 195,940 shares of the Company's Class A Common Stock to its Chief Executive Officer in accordance with the terms of PSUs granted in February 2018. The total fair value of PSUs issued during the three months ended September 30, 2024 was $18 million.

NOTE 10 – NET EARNINGS (LOSS) ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC. PER COMMON SHARE

Net earnings (loss) attributable to The Estée Lauder Companies Inc. per common share ("basic EPS") is computed by dividing net earnings (loss) attributable to The Estée Lauder Companies Inc. by the weighted average number of common shares outstanding and shares underlying PSUs and RSUs where the vesting conditions have been met. Net earnings (loss) attributable to The Estée Lauder Companies Inc. per common share assuming dilution ("diluted EPS") is computed by reflecting potential dilution from stock-based awards using the treasury stock method.

A reconciliation between the numerator and denominator of the basic and diluted EPS computations is as follows:

	Three Months Ended September 30	
(In millions, except per share data)	2024	2023
Numerator:		
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	$ (156)	$ 31
Denominator:		
Weighted average common shares outstanding – Basic	359.6	358.4
Effect of dilutive stock options[1]	—	1.3
Effect of PSUs[1]	—	0.1
Effect of RSUs[1]	—	0.7
Weighted average common shares outstanding – Diluted	359.6	360.5
Net earnings (loss) attributable to The Estée Lauder Companies Inc. per common share:		
Basic	$ (.43)	$ .09
Diluted	$ (.43)	$ .09

[1] For the three months ended September 30, 2024, the effects of potentially dilutive stock options, PSUs and RSUs were excluded from the computation of diluted EPS as they were anti-dilutive due to the net loss incurred during the period.

The shares of Class A Common Stock underlying stock options, RSUs and PSUs that were excluded in the computation of diluted EPS because their inclusion would be anti-dilutive were as follows:

	Three Months Ended September 30	
(In millions)	2024	2023
Stock options	7.6	4.8
RSUs and PSUs	1.2	0.1

As of September 30, 2024 and 2023, 0.6 million and 0.4 million shares, respectively, of Class A Common Stock underlying PSUs have been excluded from the computation of diluted EPS as the number of shares ultimately issued is contingent on the achievement of applicable performance targets of the Company, as discussed in *Note 9 – Stock Programs*.

NOTE 11 – EQUITY AND REDEEMABLE NONCONTROLLING INTEREST

Total Stockholders' Equity – The Estée Lauder Companies Inc.

(In millions, except per share data)	Three Months Ended September 30 2024	2023
Common stock, beginning of the period	$ 6	$ 6
Stock-based compensation	—	—
Common stock, end of the period	6	6
Paid-in capital, beginning of the period	6,685	6,153
Common stock dividends	3	2
Stock-based compensation	90	94
Paid-in capital, end of the period	6,778	6,249
Retained earnings, beginning of the period	13,427	13,991
Common stock dividends	(240)	(238)
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	(156)	31
Retained earnings, end of the period	13,031	13,784
Accumulated other comprehensive loss, beginning of the period	(1,140)	(934)
Other comprehensive earnings (loss) attributable to The Estée Lauder Companies Inc.	83	(129)
Accumulated other comprehensive loss, end of the period	(1,057)	(1,063)
Treasury stock, beginning of the period	(13,664)	(13,631)
Stock-based compensation	(10)	(3)
Treasury stock, end of the period	(13,674)	(13,634)
Total equity	$ 5,084	$ 5,342
Redeemable noncontrolling interest, beginning of the period	$ —	$ 832
Net earnings attributable to redeemable noncontrolling interest	—	5
Translation adjustments	—	(11)
Redeemable noncontrolling interest, end of the period	$ —	$ 826
Cash dividends declared per common share	$ .66	$ .66

The following is a summary of quarterly cash dividends declared per share on the Company’s Class A and Class B Common Stock during the three months ended September 30, 2024:

Date Declared	Record Date	Payable Date	Amount per Share
August 16, 2024	August 30, 2024	September 16, 2024	$ .66

On October 30, 2024, a dividend was declared in the amount of $.35 per share on the Company’s Class A and Class B Common Stock. The dividend is payable in cash on December 16, 2024 to stockholders of record at the close of business on November 29, 2024.

Common Stock

Beginning in December 2022, we suspended the repurchase of shares of our Class A Common Stock under our publicly announced program. We may resume repurchases in the future.

Accumulated Other Comprehensive Loss

The following table represents changes in accumulated other comprehensive loss, net of tax, by component for the three months ended September 30, 2024:

(In millions)	Net Cash Flow Hedge Gain (Loss)	Cross-Currency Swap Contracts [2]	Amounts Included in Net Periodic Benefit Cost	Translation Adjustments	Total
Balance at June 30, 2024	$ 57	$ (5)	$ (183)	$ (1,009)	$ (1,140)
OCI before reclassifications [3]	(36)	12	—	115 [1]	91
Amounts reclassified to Net loss	(7)	(3)	2	—	(8)
Net current-period OCI	(43)	9	2	115	83
Balance at September 30, 2024	$ 14	$ 4	$ (181)	$ (894)	$ (1,057)

(1) See *Note 4 – Derivative Financial Instruments* for gains (losses) relating to net investment hedges.

(2) The gain recognized in AOCI, net of tax from cross-currency swap contracts represents the amount excluded from effectiveness testing.

(3) The tax provision (benefit) included in Net Cash Flow Hedge Gain (Loss), Cross-Currency Swap Contracts and Translation Adjustments are $(11) million, $4 million, and $(7) million, respectively.

The following table represents the effects of reclassification adjustments from AOCI into net earnings for the three months ended September 30, 2024 and 2023:

	Amount Reclassified from AOCI		
	Three Months Ended September 30		Affected Line Item in Consolidated Statements of Earnings (Loss)
(In millions)	2024	2023	
Gain (Loss) on Cash Flow Hedges			
Foreign currency forward contracts	$ 10	$ 9	Net sales
Provision for income taxes	(3)	(2)	Provision (benefit) for income taxes
	7	7	Net earnings (loss)
Cross-Currency Swap Contracts			
Gain on cross-currency swap contracts	4	5	Selling, general and administrative
Provision for income taxes	(1)	(1)	Provision (benefit) for income taxes
	3	4	Net earnings (loss)
Retirement Plan and Other Retiree Benefit Adjustments			
Amortization of prior service cost	2	—	Other components of net periodic benefit cost
Amortization of actuarial gain	(4)	1	Other components of net periodic benefit cost
	(2)	1	Other components of net periodic benefit cost
Provision for income taxes	—	—	Provision (benefit) for income taxes
	(2)	1	Net earnings (loss)
Total reclassification adjustments, net	$ 8	$ 12	Net earnings (loss)

NOTE 12 – STATEMENT OF CASH FLOWS

Supplemental cash flow information for the three months ended September 30, 2024 and 2023 is as follows:

(In millions)	2024	2023
Cash:		
Cash paid during the period for interest	$ 63	$ 58
Cash paid during the period for income taxes	$ 195	$ 131
Non-cash investing and financing activities:		
Property, plant and equipment accrued but unpaid	$ 26	$ 82
Right-of-use assets obtained in exchange for new/modified operating lease liabilities	$ 210	$ 111

NOTE 13 – SEGMENT DATA AND RELATED INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the "Chief Executive") in deciding how to allocate resources and in assessing performance. Although the Company operates in one business segment, beauty products, management also evaluates performance on a product category basis. Product category performance is measured based upon net sales before returns associated with restructuring and other activities, and operating income (loss) before charges associated with restructuring and other activities. Returns and charges associated with restructuring and other activities are not allocated to the Company's product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance, and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

The accounting policies for the Company's reportable segments are substantially the same as those for the consolidated financial statements, as described in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; thus, no additional information is produced for the Chief Executive or included herein. There has been no significant variance in the total or long-lived asset values associated with the Company's segment data since June 30, 2024.

During the fiscal 2024 second quarter, the Company identified and corrected prior-period misclassifications of net sales and operating income between certain of the Company's product categories in its segment footnote. As a result, product category net sales and operating income have been adjusted from the amounts previously reported for the three months ended September 30, 2023, for comparability purposes. The misclassifications had no impact on the prior-period consolidated statements of earnings, consolidated statements of comprehensive income, consolidated balance sheets, or the consolidated statements of cash flows, and the Company determined that the impact on the Company's previously issued financial statements for the respective period was not material.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)	Three Months Ended September 30 2024	Three Months Ended September 30 2023
PRODUCT CATEGORY DATA		
Net sales:		
Skin Care	$ 1,529	$ 1,640
Makeup	1,038	1,062
Fragrance	630	636
Hair Care	139	148
Other	25	32
	3,361	3,518
Returns associated with restructuring and other activities	—	—
Net sales	$ 3,361	$ 3,518
Operating income (loss) before charges associated with restructuring and other activities:		
Skin Care	$ 117	$ 37
Makeup	(185)	(40)
Fragrance	60	107
Hair Care	(18)	(22)
Other	11	18
	(15)	100
Reconciliation:		
Charges associated with restructuring and other activities	(106)	(2)
Interest expense	(92)	(95)
Interest income and investment income, net	35	41
Other components of net periodic benefit cost	(2)	2
Earnings (loss) before income taxes	$ (180)	$ 46
GEOGRAPHIC DATA[(1)]		
Net sales:		
The Americas	$ 1,187	$ 1,208
Europe, the Middle East & Africa	1,230	1,252
Asia/Pacific	944	1,058
	3,361	3,518
Returns associated with restructuring and other activities	—	—
Net sales	$ 3,361	$ 3,518
Operating income (loss):		
The Americas	$ (168)	$ (182)
Europe, the Middle East & Africa	90	144
Asia/Pacific	63	138
	(15)	100
Charges associated with restructuring and other activities	(106)	(2)
Operating income (loss)	$ (121)	$ 98

(1) The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region, and operating income attributable to these net sales are included in that region and in The Americas. The exception is for net sales and operating income of Dr.Jart+ in the travel retail channel in Korea that are reflected in Korea in the Asia/Pacific region.

The table below presents the effect of the corrections for the three months ended September 30, 2023.

	Three Months Ended September 30, 2023		
(In millions)	As Previously Reported	Adjustments	As Adjusted
PRODUCT CATEGORY DATA			
Net sales:			
Skin Care	$ 1,638	$ 2	$ 1,640
Makeup	1,063	(1)	1,062
Fragrance	637	(1)	636
Hair Care	148	—	148
Other	32	—	32
	3,518	—	3,518
Returns associated with restructuring and other activities	—	—	—
Net sales	$ 3,518	$ —	$ 3,518
Operating income (loss):			
Skin Care	$ 35	$ 2	$ 37
Makeup	(39)	(1)	(40)
Fragrance	108	(1)	107
Hair Care	(22)	—	(22)
Other	18	—	18
	100	—	100
Charges associated with restructuring and other activities	(2)	—	(2)
Operating income	$ 98	$ —	$ 98

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

RESULTS OF OPERATIONS

We manufacture, market and sell beauty products including those in the skin care, makeup, fragrance and hair care categories, which are distributed in approximately 150 countries and territories. The following table is a comparative summary of operating results for the three months ended September 30, 2024 and 2023, and reflects the basis of presentation described in *Notes to Consolidated Financial Statements, Note 1 – Summary of Significant Accounting Policies* for all periods presented. Products and services that do not meet our definition of skin care, makeup, fragrance and hair care have been included in the "other" category. During the fiscal 2024 second quarter, we identified and corrected misclassifications of net sales and operating income between certain of our product categories in our Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended September 30, 2023. See *Note 13 – Segment Data and Related Information* for additional details.

(In millions)	Three Months Ended September 30 2024	2023
NET SALES		
By Product Category:		
Skin Care	$ 1,529	$ 1,640
Makeup	1,038	1,062
Fragrance	630	636
Hair Care	139	148
Other	25	32
	3,361	3,518
Returns associated with restructuring and other activities	—	—
Net sales	$ 3,361	$ 3,518
By Region[1]:		
The Americas	$ 1,187	$ 1,208
Europe, the Middle East & Africa	1,230	1,252
Asia/Pacific	944	1,058
	3,361	3,518
Returns associated with restructuring and other activities	—	—
Net sales	$ 3,361	$ 3,518
OPERATING INCOME (LOSS)		
By Product Category:		
Skin Care	$ 117	$ 37
Makeup	(185)	(40)
Fragrance	60	107
Hair Care	(18)	(22)
Other	11	18
	(15)	100
Charges associated with restructuring and other activities	(106)	(2)
Operating income (loss)	$ (121)	$ 98
By Region[1]:		
The Americas	$ (168)	$ (182)
Europe, the Middle East & Africa	90	144
Asia/Pacific	63	138
	(15)	100
Charges associated with restructuring and other activities	(106)	(2)
Operating income (loss)	$ (121)	$ 98

[1] The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region, and operating income attributable to these net sales are included in that region and in The Americas. The exception is for net sales and operating income of Dr.Jart+ in the travel retail channel in Korea that are reflected in Korea in the Asia/Pacific region.

The following table presents certain consolidated earnings (loss) data as a percentage of net sales:

	Three Months Ended September 30	
	2024	2023
Net sales	100.0 %	100.0 %
Cost of sales	27.6	30.4
Gross profit	72.4	69.6
Operating expenses:		
Selling, general and administrative	68.4	66.8
Restructuring and other charges	2.9	—
Talcum litigation settlement agreements	4.7	—
Total operating expenses	76.0	66.8
Operating income (loss)	(3.6)	2.8
Interest expense	2.7	2.7
Interest income and investment income, net	1.0	1.2
Other components of net periodic benefit cost	0.1	(0.1)
Earnings (loss) before income taxes	(5.4)	1.3
Provision (benefit) for income taxes	(0.7)	0.3
Net earnings (loss)	(4.6)	1.0
Net earnings attributable to redeemable noncontrolling interest	—	(0.1)
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	(4.6)%	0.9 %

Not adjusted for differences caused by rounding

Period-over-period changes in our net sales are generally attributable to the impacts from (i) pricing on our base portfolio, including changes in mix and those due to strategic pricing actions, (ii) volume, including changes driven by the impact of new product innovation, (iii) acquisitions and/or divestitures, and/or (iv) foreign currency translation. The percentages disclosed for these impacts are calculated on an individual basis.

The net sales impact from pricing consists of changes in list prices, due to strategic pricing actions, and mix shifts within and among product categories, geographic regions, brands and distribution channels. The prices at which we sell our products vary by brand, distribution channel (e.g., wholesale or direct-to-consumer) and may also vary by country. Our brands and products cover a broad array of pricing tiers. Prices of skin care and fragrance products are typically higher than makeup and hair care products.

New product innovation includes the introduction of new products, as well as changes related to existing products or where they are sold, including reformulations, regional expansion, repackaging and sets. A product is considered "new innovation" for the twelve-month period following the initial shipment date. Our innovation is launched at different price points than existing products and value derived from innovation may vary from year to year. We continually introduce new products, support new and established products through advertising, merchandising and sampling and phase out existing products that no longer meet the needs of our consumers or our objectives. The economics of developing, producing, launching, supporting and discontinuing products impact our sales and operating performance each period. The introduction of new products often has some cannibalizing effect on sales of existing products, which we take into account in our business planning. The impact of new product introductions, including timing compared to introductions in prior periods, also affects our results.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period-to-period helps investors and others compare operating performance between periods. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. See *Reconciliations of Non-GAAP Financial Measures* beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

We operate on a global basis, with the majority of our net sales generated outside the United States. Accordingly, fluctuations in foreign currency exchange rates affect our results of operations. Therefore, we present certain net sales, operating results and diluted net earnings per common share information excluding the effect of foreign currency rate fluctuations to provide a framework for assessing the performance of our underlying business outside the United States. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant currency information by translating current-period results using monthly average foreign currency exchange rates and adjusting for the period-over-period impact of foreign currency cash flow hedging activities.

Overview

We are a leader in prestige beauty, which combines the repeat purchase and relative affordability of consumer goods with high quality products and services. Within prestige beauty, we are diversified by product category, geography, brand, product sub-category, channel, consumer segment and price point. We also leverage consumer analytics and insights by deploying our brands to grow sales and pursue profitable opportunities. These analytics and insights, combined with our creativity, inform our innovation to provide a broad, locally-relevant and inclusive range of prestige products with the aim of competing effectively for a greater share of a consumer's beauty routine. Elements of our strategy are described below, as well as in the *Overview* on page 31 of our Annual Report on Form 10-K for the year ended June 30, 2024.

- Our skin care net sales decreased 7% for the three months ended September 30, 2024, primarily driven by lower net sales from La Mer and Estée Lauder. Net sales from La Mer decreased, primarily driven by lower net sales in our Asia travel retail business, due to lower replenishment orders reflecting (i) the challenging retail environment, including worsened consumer sentiment in China, (ii) travelers diverting spending towards experiences, which continued to dampen conversion for beauty products and (iii) inventory pressure given the further retail market deceleration. The decrease in net sales from Estée Lauder was primarily driven by lower net sales in mainland China, reflecting the impacts from further softening in overall prestige beauty in mainland China, due in large part to worsened consumer sentiment.

- Our makeup net sales decreased 2% for the three months ended September 30, 2024, primarily reflecting lower net sales from M·A·C, and to a lesser extent, Too Faced and Smashbox. The decrease in net sales from M·A·C was primarily driven by lower net sales in North America, reflecting softness in the brand's retail sales, resulting in lower replenishment orders, and lower net sales in the Middle East reflecting ongoing business disruption. Partially offsetting the decrease in makeup net sales was higher net sales from Clinique and, to a lesser extent, Estée Lauder.

- Our fragrance net sales decreased 1% for the three months ended September 30, 2024, reflecting lower net sales from TOM FORD, Clinique, and Estée Lauder. Net sales from TOM FORD decreased, primarily driven by lower net sales in North America, reflecting softness in the brand's retail sales, resulting in lower replenishment orders. The decrease in net sales from Clinique reflected lower replenishment orders in our global travel retail business and in other parts of Europe, the Middle East & Africa primarily due to lower demand. Net sales from Estée Lauder decreased, primarily driven by lower net sales across our product portfolio. Partially offsetting the decrease in fragrance net sales were higher net sales from Le Labo and Kilian Paris.

- Our hair care net sales decreased 6% for the three months ended September 30, 2024, primarily attributable to lower net sales from Aveda and to a lesser extent, The Ordinary. The decrease in net sales from Aveda was primarily driven by the timing of shipments and continued softness in our North America salon channel and our direct-to-consumer business.

Our global distribution capability and operations allow us to focus on targeted expanded consumer reach wherever consumer demographics and trends are attractive. Our regional organizations, and the expertise of our people there, enable our brands to be more locally and culturally relevant in both product assortment and communications. We are continually evolving the way we connect with our consumers in stores, online and where they travel, including by expanding our digital and social media presence and the engagement of global and local influencers to amplify brand or product stories. We tailor implementation of our strategy by market to drive consumer engagement and embrace inclusion and cultural diversity. We strive to strengthen our presence in large, image-building core markets, while broadening our presence in emerging markets.

- Net sales in The Americas decreased 2% for the three months ended September 30, 2024, primarily reflecting lower net sales in North America and Mexico. The decrease in net sales in North America reflected the challenges from M·A·C, Aveda, TOM FORD, Too Faced and Smashbox. Partially offsetting these pressures in North America was the launch of seven brands to-date in Amazon's U.S. Beauty store. Net sales in Mexico decreased, primarily driven by the unfavorable impact of foreign currency translation.

- Net sales in Europe, the Middle East & Africa decreased 2% for the three months ended September 30, 2024, primarily driven by lower net sales from our Asia travel retail business and the United Kingdom. Asia travel retail net sales declined, due to lower replenishment orders reflecting (i) the challenging retail environment, including worsened consumer sentiment in China, (ii) travelers diverting spending towards experiences, which continued to dampen conversion for beauty products and (iii) inventory pressure given the further retail market deceleration. Partially offsetting the decrease in net sales in Europe, the Middle East & Africa were higher net sales in Germany, the Nordic countries and Russia.

- Net sales in Asia/Pacific decreased 11% for the three months ended September 30, 2024, primarily driven by lower net sales from mainland China and Hong Kong SAR, reflecting worsened consumer sentiment. This drove further softening in overall prestige beauty in mainland China and low conversion rates among traveling consumers in Hong Kong SAR.

Outlook

We have experienced challenges within our business, including in our Asia travel retail business, and we expect volatility and uncertainty to continue including inventory pressure in Asia travel retail given the further retail market deceleration. We have experienced, and are expecting to continue to experience, weakness in overall prestige beauty due in large part to worsened consumer sentiment in China, which is also expected to impact Asia travel retail. Looking ahead, we are cautiously optimistic about the potential medium- to long-term growth opportunities presented by the new economic stimulus measures in China, but volatility and uncertainty remain elevated in the near-term. In North America, we are experiencing ongoing competitive pressures along with the continued slowdown in prestige beauty growth. We also expect further business disruption in Israel and other parts of the Middle East. Net sales from Israel and the Middle East accounted for approximately 2% and 3% of consolidated net sales in fiscal 2024 and the first quarter of fiscal 2025, respectively. These challenges are collectively expected to impact net sales and profitability, including impacts to our effective tax rate from changes to our geographical mix of earnings.

We believe that the best way to increase long-term stockholder value is to provide superior products and services in the most efficient and effective manner while recognizing shifts in consumers' behaviors and shopping practices. Accordingly, our long-term strategy has numerous initiatives across geographic regions, product categories, brands, channels of distribution and functions designed to grow our sales, provide cost efficiencies, leverage our strengths and make us more productive and profitable. We plan to build upon and leverage our history of outstanding creativity and innovation, high quality products and services, and engaging communications while investing for long-term sustainable growth.

We continue to monitor the effects of the global macro environment, including the risk of recession; currency volatility; inflationary pressures; supply chain challenges; social and political issues; competitive pressures; legal and regulatory matters, including the imposition of tariffs and sanctions; geopolitical tensions; and global security issues. For example, the geopolitical tensions between the United States and China could have a material adverse effect on our business. We are also mindful of inflationary pressures on our cost base and are monitoring the impact on consumer preferences, and the impact of changes being made in the organization, including those related to the Profit Recovery and Growth Plan. Declines in net sales and profitability may adversely impact the goodwill and other intangible assets associated with our brands, as well as long-lived assets, potentially resulting in impairments.

Restructuring Program Component of the Profit Recovery and Growth Plan

As previously communicated on November 1, 2023, we launched the Profit Recovery and Growth Plan ("PRGP"), to help progressively rebuild our profit margins in fiscal years 2025 and 2026.

The PRGP is focused on rebuilding stronger, more sustainable profitability, supporting sales growth acceleration and increasing speed and agility. The plan is designed to improve gross margin, lower the cost base and reduce overhead expenses, while increasing investments in key consumer-facing activities. Upon completion of this plan, we expect to have improved our gross margin and expense base to drive greater operating leverage for the future.

As a component of the PRGP, on February 5, 2024, we announced a two-year restructuring program. The restructuring program's main focus includes the reorganization and rightsizing of certain areas of our business as well as simplification and acceleration of processes. We committed to this course of action on February 1, 2024.

In connection with the restructuring program, as of September 30, 2024, we continue to estimate a net reduction in the range of approximately 1,800 to 3,000 positions globally, which is about 3-5% of our positions including temporary and part-time employees as of June 30, 2023. This reduction takes into account the elimination of some positions as well as retraining and redeployment of certain employees in select areas.

We plan to substantially complete specific initiatives under the restructuring program through fiscal 2026. We expect that the restructuring program will result in restructuring and other charges totaling between $500 million and $700 million, before taxes, consisting of employee-related costs, contract terminations, asset write-offs and other costs associated with implementing these initiatives.

Once fully implemented, we expect the restructuring program to yield annual target gross benefits of between $350 million and $500 million, before taxes, a portion of which is expected to be reinvested in consumer-facing activities. The net benefits of the PRGP, which includes the restructuring program, are expected to be between $1,100 million and $1,400 million.

Further information about the Restructuring Program Component of the Profit Recovery and Growth Plan, is described in *Notes to Consolidated Financial Statements, Note 3 – Charges Associated with Restructuring and Other Activities* herein.

Talcum Litigation Settlement Agreements

From the end of August 2024 through October 2024, we reached agreements with certain plaintiff law firms (collectively, the "talcum litigation settlement agreements") for: (i) the resolution of pending cosmetic talcum powder matters handled by those firms as well as (ii) a process for resolving potential future cosmetic talcum powder claims expected to be brought on behalf of plaintiffs by those firms from January 1, 2025 through December 31, 2029, with annual capped amounts per year for each participating law firm. To account for the talc litigation settlement agreements, we recorded a charge of $159 million for the three months ended September 30, 2024 for the amount agreed to settle these current and potential future claims.

Further information about the talcum litigation settlement agreements, is described in *Notes to Consolidated Financial Statements, Note 8 – Commitments and Contingencies* herein.

NET SALES

($ in millions)	Three Months Ended September 30 2024		Three Months Ended September 30 2023	
As Reported:				
Net sales	$	3,361	$	3,518
$ Change from prior-year period		(157)		
% Change from prior-year period		(4)%		
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency		(5)%		

[1] See "*Reconciliations of Non-GAAP Financial Measures*" beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales decreased for the three months ended September 30, 2024, reflecting a decrease in net sales in all product categories, primarily driven by skin care. The decrease in skin care net sales was primarily driven by lower net sales from La Mer and Estée Lauder.

By region, reported net sales decreased for the three months ended September 30, 2024, reflecting lower net sales across all regions, primarily driven by Asia/Pacific. The decrease in net sales in Asia/Pacific was primarily driven by lower net sales from mainland China and Hong Kong SAR.

Reported net sales were impacted by approximately $18 million of favorable foreign currency translation for the three months ended September 30, 2024.

Reported net sales decreased 4% for the three months ended September 30, 2024, driven by the decrease from volume of 8%. Partially offsetting this decrease was an increase from pricing of 3% due to the favorable impact from strategic pricing actions, partially offset by changes in mix, and the favorable impact of foreign currency translation of 1%.

Returns associated with restructuring and other activities are not allocated to our product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business. For the three months ended September 30, 2024 and 2023, there were no returns associated with restructuring and other activities.

Product Categories

Skin Care

($ in millions)	Three Months Ended September 30 2024		Three Months Ended September 30 2023	
As Reported:				
Net sales	$	1,529	$	1,640
$ Change from prior-year period		(111)		
% Change from prior-year period		(7)%		
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency		(8)%		

[1] See "*Reconciliations of Non-GAAP Financial Measures*" beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported skin care net sales decreased for the three months ended September 30, 2024, reflecting lower net sales from La Mer and Estée Lauder, combined, of approximately $117 million. Net sales from La Mer decreased, primarily driven by declines in our Asia travel retail business, due to lower replenishment orders reflecting (i) the challenging retail environment, including worsened consumer sentiment in China, (ii) travelers diverting spending towards experiences, which continued to dampen conversion for beauty products and (iii) inventory pressure given the further retail market deceleration. The decrease in net sales from Estée Lauder was primarily driven by declines in mainland China, reflecting the impacts from further softening in overall prestige beauty in mainland China, due in large part to worsened consumer sentiment.

Skin care net sales were impacted by approximately $13 million of favorable foreign currency translation for the three months ended September 30, 2024.

Reported skin care net sales decreased 7% for the three months ended September 30, 2024, driven by the decrease from volume of 8%. Partially offsetting this decrease was an increase from pricing of 1%, due to the favorable impact from strategic pricing actions, partially offset by changes in mix, and the favorable impact of foreign currency translation of 1%.

Makeup

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Net sales	$ 1,038	$ 1,062
$ Change from prior-year period	(24)	
% Change from prior-year period	(2)%	
Non-GAAP Financial Measure[1]:		
% Change from prior-year period in constant currency	(2)%	

(1) See "*Reconciliations of Non-GAAP Financial Measures"* beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported makeup net sales decreased for the three months ended September 30, 2024, reflecting lower net sales from M·A·C, and to a lesser extent, Too Faced and Smashbox, combined, of approximately $55 million. The decrease in net sales from M·A·C was primarily driven by lower net sales in North America, reflecting softness in the brand's retail sales, resulting in lower replenishment orders, and lower net sales in the Middle East reflecting ongoing business disruption. Net sales from Too Faced decreased, primarily driven by North America, reflecting lower net sales in the lip and mascara subcategories. Net sales from Smashbox decreased, primarily driven by North America, reflecting lower net sales in the foundation, concealer and lip subcategories.

Partially offsetting the makeup net sales decrease for the three months ended September 30, 2024 were higher net sales from Clinique and, to a lesser extent, Estée Lauder, combined, of approximately $34 million. Net sales from Clinique increased across all geographic regions, driven by the success of hero products. Net sales from Estée Lauder increased, primarily driven by higher net sales in the foundation, concealer and corrector subcategories.

Makeup net sales were impacted by approximately $2 million of favorable foreign currency translation for the three months ended September 30, 2024.

Reported makeup net sales decreased 2% for the three months ended September 30, 2024, driven by the decrease from volume of 9%. Partially offsetting this decrease was an increase from pricing of 6% due to the favorable impact from strategic pricing actions and changes in mix.

Fragrance

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Net sales	$ 630	$ 636
$ Change from prior-year period	(6)	
% Change from prior-year period	(1)%	
Non-GAAP Financial Measure[(1)]:		
% Change from prior-year period in constant currency	(1)%	

(1) See "*Reconciliations of Non-GAAP Financial Measures*" beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported fragrance net sales decreased for the three months ended September 30, 2024, reflecting lower net sales from TOM FORD, Clinique, and Estée Lauder, combined, of approximately $29 million. Net sales from TOM FORD decreased, primarily driven by lower net sales in North America, reflecting softness in the brand's retail sales, resulting in lower replenishment orders. The decrease in net sales from Clinique was primarily due to lower replenishment orders in our global travel retail business and in other parts of Europe, the Middle East & Africa, primarily due to lower demand. Net sales from Estée Lauder decreased, primarily driven by lower net sales across its fragrance portfolio.

Partially offsetting the reported fragrance net sales decrease for the three months ended September 30, 2024, were higher net sales from Le Labo and Kilian Paris, combined, of approximately $18 million. Net sales from Le Labo increased, primarily reflecting targeted expanded consumer reach, growth of hero products and new product launches. The increase in net sales from Kilian Paris reflected the success of new product launches.

Fragrance net sales were impacted by approximately $3 million of favorable foreign currency translation for the three months ended September 30, 2024.

Reported fragrance net sales decreased 1% for the three months ended September 30, 2024, driven by the decrease from volume of 7%. Partially offsetting this decrease was an increase from pricing of 6% due to the favorable impact from strategic pricing actions and changes in mix.

Hair Care

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Net sales	$ 139	$ 148
$ Change from prior-year period	(9)	
% Change from prior-year period	(6)%	
Non-GAAP Financial Measure[(1)]:		
% Change from prior-year period in constant currency	(6)%	

(1) See "*Reconciliations of Non-GAAP Financial Measures*" beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported hair care net sales decreased for the three months ended September 30, 2024, driven by lower net sales from Aveda and to a lesser extent, The Ordinary, combined, of approximately $9 million. The decrease in net sales from Aveda was driven by the timing of shipments and continued softness in our North America salon channel and our direct-to-consumer business.

Reported hair care net sales decreased 6% for the three months ended September 30, 2024, driven by the decrease from volume of 5% and a decrease from pricing of 1%, due to changes in mix, partially offset by the favorable impact from strategic pricing actions.

Geographic Regions

The Americas

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Net sales	$ 1,187	$ 1,208
$ Change from prior-year period	(21)	
% Change from prior-year period	(2)%	
Non-GAAP Financial Measure[1]:		
% Change from prior-year period in constant currency	(1)%	

[1] See "*Reconciliations of Non-GAAP Financial Measures*" beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales in The Americas decreased for the three months ended September 30, 2024, primarily reflecting lower net sales in North America and Mexico, combined, of approximately $18 million. The decrease in net sales in North America reflected the challenges from M·A·C, Aveda, TOM FORD, Too Faced and Smashbox as previously mentioned. Partially offsetting these pressures in North America was the launch of seven brands to-date in Amazon's U.S. Premium Beauty store. Net sales in Mexico decreased, primarily driven by the unfavorable impact of foreign currency translation.

Net sales in The Americas were impacted by approximately $11 million of unfavorable foreign currency translation for the three months ended September 30, 2024.

Reported net sales in The Americas decreased 2% for the three months ended September 30, 2024, driven by the decrease from volume of 6% and the unfavorable impact from foreign currency translation of 1%. These decreases were partially offset by an increase from pricing of 5%, due to the favorable impact of strategic pricing actions.

Europe, the Middle East & Africa

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Net sales	$ 1,230	$ 1,252
$ Change from prior-year period	(22)	
% Change from prior-year period	(2)%	
Non-GAAP Financial Measure[1]:		
% Change from prior-year period in constant currency	(4)%	

[1] See "*Reconciliations of Non-GAAP Financial Measures*" beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales decreased in Europe, the Middle East & Africa for the three months ended September 30, 2024, primarily reflecting lower net sales from our Asia travel retail business, due to lower replenishment orders reflecting (i) the challenging retail environment, including worsened consumer sentiment in China, (ii) travelers diverting spending towards experiences, which continued to dampen conversion for beauty products and (iii) inventory pressure given the further retail market deceleration.

Partially offsetting the decrease in Europe, the Middle East & Africa in fiscal 2024 was higher net sales in Germany, the Nordic countries and Russia, combined, of approximately $29 million. The increase in net sales from Germany was driven by the favorable year-over-year impact relating to the timing of shipments. Net sales from the Nordic countries increased, primarily driven by the favorable year-over-year impact relating to the expansion of The Ordinary towards the end of the fiscal 2024 first quarter. The increase in net sales from Russia was primarily driven by growth in fragrance and makeup.

Net sales in Europe, the Middle East & Africa were impacted by approximately $23 million of favorable foreign currency translation for the three months ended September 30, 2024.

Reported net sales in Europe, the Middle East & Africa decreased 2% for the three months ended September 30, 2024, driven by the decrease from volume of 4%, partially offset by the favorable impact from foreign currency translation of 2%. The impact of pricing was flat compared to the prior-year period.

Asia/Pacific

	Three Months Ended September 30	
($ in millions)	**2024**	**2023**
As Reported:		
Net sales	$ 944	$ 1,058
$ Change from prior-year period	(114)	
% Change from prior-year period	(11)%	
Non-GAAP Financial Measure[(1)]:		
% Change from prior-year period in constant currency	(11)%	

(1) See "*Reconciliations of Non-GAAP Financial Measures*" beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales decreased in Asia/Pacific for the three months ended September 30, 2024, primarily driven by lower net sales from mainland China, and Hong Kong SAR, combined, of approximately $105 million, reflecting worsened consumer sentiment. This drove further softening in overall prestige beauty in mainland China and low conversion rates among traveling consumers in Hong Kong SAR..

Net sales in Asia/Pacific were impacted by approximately $6 million of favorable foreign currency translation for the three months ended September 30, 2024.

Reported net sales in Asia/Pacific decreased 11% for the three months ended September 30, 2024, driven by the decrease from volume of 15%. Partially offsetting this decrease was an increase from pricing of 4%, due to the favorable impact from strategic pricing actions, partially offset by changes in mix, and the favorable impact of foreign currency translation of 1%.

GROSS MARGIN

Gross margin increased to 72.4% for the three months ended September 30, 2024, as compared with 69.6% in the prior-year period.

	Favorable (Unfavorable) Basis Points
	September 30, 2024
	Three Months Ended
As Reported:	
Mix of business	(60)
Obsolescence charges	210
Manufacturing costs and other	150
Foreign exchange transactions	10
Charges associated with restructuring and other activities	(30)
As Reported Gross Margin Basis Point Variance	280
Non-GAAP Financial Measure Adjustments	
Charges associated with restructuring and other activities	30
Non-GAAP Gross Margin Basis Point Variance	310

The increase in gross margin for the three months ended September 30, 2024 was driven by lower obsolescence charges, due to a reduction in excess inventory. Also contributing to the increase in gross margin was the favorable impact from manufacturing costs and other, reflecting the impact in the three months ended September 30, 2024 from the recognition of manufacturing variances associated with reduced manufacturing volumes on our standard cost within cost of sales in the fiscal 2024 third quarter, as well as favorability in cost management, partially offset by the impact of inflation on our costs.

These increases were partially offset by an unfavorable impact from our mix of business, driven by the impact of lower net sales, including the change in category mix reflecting a decrease in skin care net sales which typically have higher margins than other product categories. These increases in mix of business were partially offset by the benefit of strategic pricing actions.

OPERATING EXPENSES

Operating expenses as a percentage of net sales was 76.0% for the three months ended September 30, 2024, as compared with 66.8% in the prior-year period.

	Favorable (Unfavorable) Basis Points
	September 30, 2024
	Three Months Ended
As Reported:	
General and administrative expenses	(20)
Advertising, merchandising, sampling and product development	(30)
Selling	(120)
Shipping	10
Store operating costs	(30)
Stock-based compensation	—
Charges associated with restructuring and other activities	(290)
Talcum litigation settlement agreements	(470)
Changes in fair value of acquisition-related stock options	30
As Reported Operating Expense Margin Basis Point Variance	(920)
Non-GAAP Financial Measure Adjustments:	
Impact of restructuring and other activities	290
Talcum litigation settlement agreements	470
Changes in fair value of acquisition-related stock options	(30)
Non-GAAP Operating Expense Margin Basis Point Variance	(190)

Higher selling expenses in the fiscal 2025 first quarter were driven by continued investments in our business, including in support of new product launches and targeted expanded consumer reach.

OPERATING RESULTS

	Three Months Ended September 30	
($ in millions)	2024	2023
As Reported:		
Operating income (loss)	$ (121)	$ 98
$ Change from prior-year period	(219)	
% Change from prior-year period	(100+)%	
Operating margin	(3.6)%	2.8 %
Non-GAAP Financial Measure[(1)]:		
% Change in operating income from the prior-year period adjusting for the impact of charges associated with restructuring and other activities, talcum litigation settlement agreements and the change in fair value of acquisition-related stock options	33 %	

(1) See "*Reconciliations of Non-GAAP Financial Measures"* beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

The decrease in reported operating margin for the three months ended September 30, 2024 was primarily driven by a decrease in net sales and an increase in operating expense margin, partially offset by an increase in gross margin, as discussed above.

Charges associated with restructuring and other activities are not allocated to our product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business. Accordingly, the following discussions of Operating income (loss) by *Product Categories* and *Geographic Regions* exclude the impact of charges associated with restructuring and other activities for the three months ended September 30, 2024 and 2023 of $106 million and $2 million, respectively.

Product Categories

Skin Care

	Three Months Ended September 30	
($ in millions)	**2024**	**2023**
As Reported:		
Operating income	$ 117	$ 37
$ Change from prior-year period	80	
% Change from prior-year period	100+%	
Non-GAAP Financial Measure[1]:		
% Change in operating income from the prior-year period adjusting for the change in fair value of acquisition-related stock options	100+%	

(1) See "*Reconciliations of Non-GAAP Financial Measures"* beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported skin care operating income increased for the three months ended September 30, 2024, reflecting favorability in cost of sales across the category, including lower obsolescence charges compared to the prior-year period due to a reduction in excess inventory, as well as higher operating results from Clinique, primarily driven by a decrease in cost of sales, due in part, to a decrease in promotional items, and lower advertising and promotional expenses due to the timing of advertising and promotional activities compared to the prior-year period.

Partially offsetting the increase in reported skin care operating income for the three months ended September 30, 2024 was lower operating results from La Mer, driven by a decrease in net sales, partially offset by lower cost of sales.

Makeup

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Operating loss	$ (185)	$ (40)
$ Change from prior-year period	(145)	
% Change from prior-year period	(100+)%	
Non-GAAP Financial Measure[1]:		
% Change in operating income from the prior-year period adjusting for the impact of talcum litigation settlement agreements	35 %	

[1] See "*Reconciliations of Non-GAAP Financial Measures*" beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported makeup operating loss increased for the three months ended September 30, 2024, primarily reflecting the talcum litigation settlement agreements of $159 million, as well as lower operating results from M·A·C and Too Faced, combined, of approximately $23 million. The decrease in operating results from M·A·C was primarily driven by a decrease in net sales, partially offset by a decrease in cost of sales, including lower obsolescence charges compared to the prior-year period due to a reduction in excess inventory, and lower advertising and promotional expenses due to disciplined expense management and the timing of advertising and promotional activities compared to the prior-year period. Operating results from Too Faced decreased, primarily driven by a decrease in net sales.

Partially offsetting the decrease in reported makeup operating results for the three months ended September 30, 2024 was higher operating results from Clinique, primarily driven by an increase in net sales.

Fragrance

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Operating income	$ 60	$ 107
$ Change from prior-year period	(47)	
% Change from prior-year period	(44)%	

Reported fragrance operating income decreased for the three months ended September 30, 2024, reflecting lower operating results from TOM FORD, and to a lesser extent, Jo Malone London, combined, of approximately $32 million. Operating income from TOM FORD decreased, primarily driven by a decrease in net sales, higher advertising and promotional activities to support new product launches and targeted expanded consumer reach, and higher selling expenses also driven by targeted expanded consumer reach. The decrease in operating results from Jo Malone London was primarily driven by an increase in selling expenses and store operating costs to support new product launches and targeted expanded consumer reach.

Hair Care

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Operating loss	$ (18)	$ (22)
$ Change from prior-year period	4	
% Change from prior-year period	18 %	

Reported hair care operating loss decreased during the three months ended September 30, 2024, primarily reflecting lower cost of sales, including lower obsolescence charges compared to the prior-year period due to a reduction in excess inventory, lower general and administrative expenses, and a decrease in advertising and promotional activities, partially offset by a decrease in net sales.

Geographic Regions

The Americas

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Operating loss	$ (168)	$ (182)
$ Change from prior-year period	14	
% Change from prior-year period	8 %	
Non-GAAP Financial Measure[(1)]:		
% Change in operating income from the prior-year period adjusting for the impact of talcum litigation settlement agreements and change in fair value of acquisition-related stock options	95 %	

(1) See "*Reconciliations of Non-GAAP Financial Measures"* beginning on page 51 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported operating loss in The Americas decreased for the three months ended September 30, 2024, primarily reflecting lower operating losses in North America, of approximately $20 million. The decrease in operating loss was primarily driven by lower cost of sales, including lower obsolescence charges compared to the prior-year period due to a reduction in excess inventory, and a favorable year-over-year impact relating to net intercompany activity, largely offset by the talcum litigation settlement agreements of $159 million.

Partially offsetting the decrease in operating loss in The Americas for the three months ended September 30, 2024 was lower operating results in Mexico, reflecting a decrease in net sales and higher selling expenses, partially offset by lower cost of sales.

Europe, the Middle East & Africa

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Operating income	$ 90	$ 144
$ Change from prior-year period	(54)	
% Change from prior-year period	(38)%	

Reported operating income decreased in Europe, the Middle East & Africa for the three months ended September 30, 2024, primarily driven by lower results from our travel retail business and the United Kingdom, combined, of approximately $54 million. The decrease in operating income from our travel retail business was primarily due to a decrease in net sales and an unfavorable year-over-year impact of net intercompany activity, partially offset by disciplined advertising and promotional expense management. Operating income decreased in the United Kingdom, primarily driven by an increase in cost of sales, higher advertising and promotional expenses to support key campaigns, and an unfavorable year-over-year impact of net intercompany activity.

Asia/Pacific

($ in millions)	Three Months Ended September 30 2024	2023
As Reported:		
Operating income	$ 63	$ 138
$ Change from prior-year period	(75)	
% Change from prior-year period	(54)%	

Reported operating income decreased in Asia/Pacific for the three months ended September 30, 2024, primarily driven by lower results in mainland China and Hong Kong SAR, combined, of approximately $55 million. The decrease in operating results from mainland China was primarily driven by a decrease in net sales, partially offset by disciplined advertising and promotional expense management. Operating results in Hong Kong SAR decreased, primarily driven by a decrease in net sales.

INTEREST AND INVESTMENT INCOME

(In millions)	Three Months Ended September 30 2024	2023
Interest expense	$ 92	$ 95
Interest income and investment income, net	$ 35	$ 41

Interest expense decreased for the three months ended September 30, 2024, primarily reflecting a lower average debt balance compared to the prior-year period. Interest income and investment income, net decreased, primarily reflecting a lower average cash balance compared to the prior-year period, partially offset by higher interest rates compared to the prior-year period.

PROVISION FOR INCOME TAXES

The provision or benefit for income taxes represents U.S. federal, foreign, state and local income taxes. The effective rate differs from the federal statutory rate primarily due to the effect of state and local income taxes, the tax impact of stock-based compensation, the taxation of foreign income and income tax reserve adjustments, which represent changes in our net liability for unrecognized tax benefits including tax settlements and lapses of the applicable statutes of limitations. Our effective tax rate will change from quarter-to-quarter based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, state and local income taxes, tax reserve adjustments, the tax impact of stock-based compensation, the interaction of various global tax strategies and the impact from certain acquisitions. In addition, changes in judgment from the evaluation of new information resulting in the recognition, derecognition or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of change.

	Three Months Ended September 30	
	2024	2023
Effective rate for income taxes	13.3 %	21.7 %
Basis-point change from the prior-year period	(840)	

The decrease in the effective tax rate of 840 basis points was primarily attributable to the impact of the discrete treatment of the charge associated with the talcum litigation settlement agreements and charges associated with restructuring and other activities recorded in the first quarter of fiscal 2025. The loss before income taxes in the first quarter of fiscal 2025 increased the impact of these discrete items on the effective tax rate.

NET EARNINGS (LOSS) ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC.

	Three Months Ended September 30	
($ in millions, except per share data)	2024	2023
As Reported:		
Net earnings (loss) attributable to The Estée Lauder Companies Inc.	$ (156)	$ 31
$ Change from prior-year period	(187)	
% Change from prior-year period	(100+)%	
Diluted net earnings (loss) per common share	$ (.43)	$ .09
% Change from prior-year period	(100+)%	
Non-GAAP Financial Measure[(1)]:		
% Change in diluted net earnings per common share from the prior-year period adjusting for the impact of charges associated with restructuring and other activities, talcum litigation settlement agreements and the change in fair value of acquisition-related stock options	33 %	

(1) See "*Reconciliations of Non-GAAP Financial Measures"* below for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period to period, or do not reflect the Company's underlying ongoing business, provides transparency for such items and helps investors and others compare and analyze our operating performance from period to period. In the future, we expect to incur charges or adjustments similar in nature to those presented below; however, the impact to the Company's results in a given period may be highly variable and difficult to predict. Our non-GAAP financial measures may not be comparable to similarly titled measures used by, or determined in a manner consistent with, other companies. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. The following tables present Net sales, Operating income and Diluted net earnings per common share adjusted to exclude the impact of charges associated with restructuring and other activities; talcum litigation settlement agreements; the change in fair value of acquisition-related stock options; and the effects of foreign currency translation.

The following table provides reconciliations between these non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

	Three Months Ended September 30				
($ in millions, except per share data)	2024	2023	Variance	% Change	% Change in constant currency
Net sales, as reported	$ 3,361	$ 3,518	$ (157)	(4)%	(5)%
Returns associated with restructuring and other activities	—	—	—		
Net sales, as adjusted	$ 3,361	$ 3,518	$ (157)	(4)%	(5)%
Operating income (loss), as reported	$ (121)	$ 98	$ (219)	(100+)%	(100+)%
Charges associated with restructuring and other activities	106	2	104		
Talcum litigation settlement agreements	159	—	159		
Change in fair value of acquisition-related stock options	—	8	(8)		
Operating income, as adjusted	$ 144	$ 108	$ 36	33 %	23 %
Diluted net earnings per common share, as reported	$ (0.43)	$ 0.09	$ (.52)	(100+)%	(100+)%
Charges associated with restructuring and other activities	.23	—	.23		
Talcum litigation settlement agreements	.34	—	.34		
Change in fair value of acquisition-related stock options (less portion attributable to redeemable noncontrolling interest)	—	.02	(.02)		
Diluted net earnings per common share, as adjusted	$ .14	$ 0.11	$ .03	33 %	7 %

As diluted net earnings per common share, as adjusted, is used as a measure of the Company's performance, we consider the impact of current and deferred income taxes when calculating the per-share impact of each of the reconciling items.

The following table reconciles the change in net sales by product category and geographic region, as reported, to the change in net sales excluding the effects of foreign currency translation:

	As Reported						
	Three Months Ended September 30						
($ in millions)	2024	2023	Variance	Impact of foreign currency translation	Variance, in constant currency	% Change, as reported	% Change, in constant currency
By Product Category:							
Skin Care	$ 1,529	$ 1,640	$ (111)	$ (13)	$ (124)	(7)%	(8)%
Makeup	1,038	1,062	(24)	(2)	(26)	(2)	(2)
Fragrance	630	636	(6)	(3)	(9)	(1)	(1)
Hair Care	139	148	(9)	—	(9)	(6)	(6)
Other	25	32	(7)	—	(7)	(22)	(22)
	3,361	3,518	(157)	(18)	(175)	(4)	(5)
Returns associated with restructuring and other activities	—	—	—	—	—		
Total	$ 3,361	$ 3,518	$ (157)	$ (18)	$ (175)	(4)%	(5)%
By Region:							
The Americas	$ 1,187	$ 1,208	$ (21)	$ 11	$ (10)	(2)%	(1)%
Europe, the Middle East & Africa	1,230	1,252	(22)	(23)	(45)	(2)	(4)
Asia/Pacific	944	1,058	(114)	(6)	(120)	(11)	(11)
	3,361	3,518	(157)	(18)	(175)	(4)	(5)
Returns associated with restructuring and other activities	—	—	—	—	—		
Total	$ 3,361	$ 3,518	$ (157)	$ (18)	$ (175)	(4)%	(5)%

The following table reconciles the change in operating results by product category and geographic region, as reported, to the change in operating income excluding the impact of talcum litigation settlement agreements and the change in fair value of acquisition-related stock options:

	As Reported							
	Three Months Ended September 30			Add:	Add:			
($ in millions)	2024	2023	Variance	Talcum litigation settlement agreements	Change in fair value of acquisition-related stock options	Variance, as adjusted	% Change, as reported	% Change, as adjusted
By Product Category:								
Skin Care	$ 117	$ 37	$ 80	$ —	$ (8)	$ 72	100+%	100+%
Makeup	(185)	(40)	(145)	159	—	14	(100+)	35
Fragrance	60	107	(47)	—	—	(47)	(44)	(44)
Hair Care	(18)	(22)	4	—	—	4	18	18
Other	11	18	(7)	—	—	(7)	(39)	(39)
	(15)	100	(115)	$ 159	$ (8)	$ 36	(100+)%	33 %
Charges associated with restructuring and other activities	(106)	(2)	(104)					
Total	$ (121)	$ 98	$ (219)					
By Region:								
The Americas	$ (168)	$ (182)	$ 14	$ 159	$ (8)	$ 165	8 %	95 %
Europe, the Middle East & Africa	90	144	(54)	—	—	(54)	(38)	(38)
Asia/Pacific	63	138	(75)	—	—	(75)	(54)	(54)
	(15)	100	(115)	$ 159	$ (8)	$ 36	(100+)%	33 %
Charges associated with restructuring and other activities	(106)	(2)	(104)					
Total	$ (121)	$ 98	$ (219)					

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds historically have been cash flows from operations, borrowings pursuant to our commercial paper program, borrowings from the issuance of long-term debt and committed and uncommitted credit lines provided by banks and other lenders in the United States and abroad. At September 30, 2024, we had cash and cash equivalents of $2,350 million compared with $3,395 million at June 30, 2024. Our cash and cash equivalents are maintained at a number of financial institutions. To mitigate the risk of uninsured balances, we select financial institutions based on their credit ratings and financial strength, and we perform ongoing evaluations of these institutions to limit our concentration risk exposure.

Based on past performance and current expectations, we believe that cash on hand, cash generated from operations, available credit lines and access to credit markets will be adequate to support seasonal working capital needs, currently planned business operations, information technology enhancements, capital expenditures, acquisitions, dividends, stock repurchases, restructuring initiatives, commitments and other contractual obligations on both a near-term and long-term basis.

The Tax Cuts and Jobs Act resulted in the Transition Tax on unrepatriated earnings of our foreign subsidiaries and changed the tax law in ways that present opportunities to repatriate cash without additional U.S. federal income tax. We continue to analyze the indefinite reinvestment assertion on our applicable foreign earnings. We do not believe continuing to reinvest these applicable foreign earnings impairs our ability to meet our domestic debt or working capital obligations. If these reinvested earnings were repatriated into the United States as dividends, we would be subject to state income taxes and applicable foreign taxes in certain jurisdictions.

Inflation impacted our overall operating results in the fiscal 2025 first quarter and we expect it to continue. Generally, we have plans to introduce new products at higher prices, increase prices and implement other operating efficiencies which we expect to offset some of these cost increases.

Credit Ratings

Changes in our credit ratings will likely result in changes in our borrowing costs. Our credit ratings also impact the cost of our revolving credit facility. Downgrades in our credit ratings may reduce our ability to issue commercial paper and/or long-term debt and would likely increase the relative costs of borrowing. A credit rating is not a recommendation to buy, sell, or hold securities, is subject to revision or withdrawal at any time by the assigning rating organization, and should be evaluated independently of any other rating. As of October 24, 2024, our long-term debt is rated A with a negative outlook by Standard & Poor’s and A2 with a stable outlook by Moody’s.

Debt

At September 30, 2024, our outstanding borrowings were as follows:

($ in millions)	Long-term Debt	Current Debt	Total Debt
5.150% Senior Notes, due May 15, 2053 ("2053 Senior Notes") (1), (16)	$ 591	$ —	$ 591
3.125% Senior Notes, due December 1, 2049 (“2049 Senior Notes”) (2), (16)	637	—	637
4.150% Senior Notes, due March 15, 2047 (“2047 Senior Notes”) (3), (16)	494	—	494
4.375% Senior Notes, due June 15, 2045 (“2045 Senior Notes”) (4), (16)	454	—	454
3.700% Senior Notes, due August 15, 2042 (“2042 Senior Notes”) (5), (16)	247	—	247
6.000% Senior Notes, due May 15, 2037 (“2037 Senior Notes”) (6), (16)	295	—	295
5.000% Senior Notes, due February 14, 2034 ("2034 Senior Notes) (7), (16)	644	—	644
5.75% Senior Notes, due October 15, 2033 (“October 2033 Senior Notes”) (8), (16)	198	—	198
4.650% Senior Notes, due May 15, 2033 ("May 2033 Senior Notes") (9), (16)	695	—	695
1.950% Senior Notes, due March 15, 2031 ("2031 Senior Notes") (10), (16)	564	—	564
2.600% Senior Notes, due April 15, 2030 ("2030 Senior Notes") (11), (16)	623	—	623
2.375% Senior Notes, due December 1, 2029 (“2029 Senior Notes”) (12), (16)	644	—	644
4.375% Senior Notes, due May 15, 2028 ("2028 Senior Notes") (13), (16)	697	—	697
3.150% Senior Notes, due March 15, 2027 (“2027 Senior Notes”) (14), (16)	499	—	499
2.000% Senior Notes, due December 1, 2024 (“2024 Senior Notes”) (15), (16)	—	500	500
Other long-term borrowings	29	—	29
Other current borrowings	—	4	4
	$ 7,311	$ 504	$ 7,815

(1) Consists of $600 million principal, unamortized debt discount of $3 million and debt issuance costs of $6 million.
(2) Consists of $650 million principal, unamortized debt discount of $7 million and debt issuance costs of $6 million.
(3) Consists of $500 million principal, unamortized debt discount of $1 million and debt issuance costs of $5 million.
(4) Consists of $450 million principal, net unamortized debt premium of $8 million and debt issuance costs of $4 million.
(5) Consists of $250 million principal, unamortized debt discount of $1 million and debt issuance costs of $2 million.
(6) Consists of $300 million principal, unamortized debt discount of $2 million and debt issuance costs of $3 million.
(7) Consists of $650 million principal, unamortized debt discount of $2 million and debt issuance costs of $4 million.
(8) Consists of $200 million principal, unamortized debt discount of $1 million and debt issuance costs of $1 million.
(9) Consists of $700 million principal, unamortized debt discount of $1 million and debt issuance costs of $4 million.
(10) Consists of $600 million principal, unamortized debt discount of $3 million, debt issuance costs of $2 million and a $31 million loss to reflect the fair value of interest rate swaps.
(11) Consists of $700 million principal, unamortized debt discount of $1 million, debt issuance costs of $3 million and a $73 million loss to reflect the fair value of interest rate swaps.
(12) Consists of $650 million principal, unamortized debt discount of $3 million and debt issuance costs of $3 million.
(13) Consists of $700 million principal, unamortized debt discount of $1 million and debt issuance costs of $2 million.
(14) Consists of $500 million principal and debt issuance costs of $1 million.
(15) Consists of $500 million principal.
(16) The Senior Notes contain certain customary covenants, including limitations on indebtedness secured by liens.

Total debt as a percent of total capitalization was 61% and 59% at September 30, 2024 and June 30, 2024, respectively.

Cash Flows

	Three Months Ended September 30	
(In millions)	2024	2023
Net cash flows used for operating activities	$ (670)	$ (408)
Net cash flows used for investing activities	$ (160)	$ (295)
Net cash flows used for financing activities	$ (226)	$ (219)

The change in net cash flows used for operating activities was primarily driven by the loss before tax for the three months ended September 30, 2024, excluding non-cash items, and an unfavorable change in operating assets and liabilities variances, reflecting an unfavorable change in other accrued and noncurrent liabilities, accounts payable and inventory and promotional merchandise, partially offset by a favorable change in accounts receivable.

The change in net cash flows used for investing activities was primarily driven by a favorable year-over-year impact from payments made relating to the manufacturing facility in Japan, near Tokyo in the prior-year period.

Dividends

For a summary of quarterly cash dividends declared per share on our Class A and Class B Common Stock during the three months ended September 30, 2024, see *Notes to Consolidated Financial Statements, Note 11 – Equity and Redeemable Noncontrolling Interest*.

Pension and Post-retirement Plan Funding

There have been no significant changes to our pension and post-retirement funding as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Commitments, Contractual Obligations and Contingencies

There have been no other significant changes to our commitments and contractual obligations as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024. For a discussion of contingencies, see *Notes to Consolidated Financial Statements, Note 8 – Commitments and Contingencies*.

Derivative Financial Instruments and Hedging Activities

For a discussion of our derivative financial instruments and hedging activities, see *Notes to Consolidated Financial Statements, Note 4 – Derivative Financial Instruments*.

Foreign Exchange Risk Management

For a discussion of foreign exchange risk management, see *Notes to Consolidated Financial Statements, Note 4 – Derivative Financial Instruments (Fair Value Hedges, Cash Flow Hedges and Net Investment Hedges)*.

Credit Risk

For a discussion of credit risk, see *Notes to Consolidated Financial Statements, Note 4 – Derivative Financial Instruments (Credit Risk)*.

Market Risk

We address certain financial exposures through a controlled program of market risk management that includes the use of foreign currency forward contracts to reduce the effects of fluctuating foreign currency exchange rates and to mitigate the change in fair value of specific assets and liabilities on the balance sheet. To perform a sensitivity analysis of our foreign currency forward contracts, we assess the change in fair values from the impact of hypothetical changes in foreign currency exchange rates. A hypothetical 10% weakening of the U.S. dollar against the foreign exchange rates for the currencies in our portfolio would have resulted in a net decrease in the fair value of our portfolio of approximately $375 million and $371 million as of September 30, 2024 and June 30, 2024, respectively. This potential change does not consider our underlying foreign currency exposures.

We also enter into cross-currency swap contracts to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. A hypothetical 10% weakening of the U.S. dollar against the foreign exchange rates for the currencies in our cross-currency swap contracts would have resulted in a net decrease in the fair value of our cross-currency swap contracts of approximately $49 million at each of September 30, 2024 and June 30, 2024.

In addition, we enter into interest rate derivatives to manage the effects of interest rate movements on our aggregate liability portfolio, including future debt issuances. Based on a hypothetical 100 basis point increase in interest rates, the estimated fair value of our interest rate derivatives would decrease by approximately $49 million and $48 million as of September 30, 2024 and June 30, 2024, respectively.

Our sensitivity analysis represents an estimate of reasonably possible net losses that would be recognized on our portfolio of derivative financial instruments assuming hypothetical movements in future market rates and is not necessarily indicative of actual results, which may or may not occur. It does not represent the maximum possible loss or any expected loss that may occur, since actual future gains and losses will differ from those estimated, based upon actual fluctuations in market rates, operating exposures, and the timing thereof, and changes in our portfolio of derivative financial instruments during the year. We believe, however, that any such loss incurred would be offset by the effects of market rate movements on the respective underlying transactions for which the derivative financial instrument was intended.

OFF-BALANCE SHEET ARRANGEMENTS

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

CRITICAL ACCOUNTING POLICIES

As disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, the discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in those financial statements. These estimates and assumptions can be subjective and complex, and consequently, actual results could differ from those estimates. Our most critical accounting policies relate to goodwill and other indefinite-lived intangible assets - impairment assessment and income taxes. Since June 30, 2024, there have been no significant changes to the assumptions and estimates related to our critical accounting policies.

RECENTLY ISSUED ACCOUNTING STANDARDS

For a discussion regarding the impact of accounting standards that were recently issued but not yet effective, on the Company’s consolidated financial statements, see *Notes to Consolidated Financial Statements, Note 1 – Summary of Significant Accounting Policies*.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

We and our representatives from time to time make written or oral forward-looking statements, including in this and other filings with the Securities and Exchange Commission, in our press releases and in our reports to stockholders, which may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may address our expectations regarding sales, earnings or other future financial performance and liquidity, other performance measures, product introductions, entry into new geographic regions, information technology initiatives, new methods of sale, our long-term strategy, restructuring and other charges and resulting cost savings, and future operations or operating results. These statements may contain words like “expect,” “will,” “will likely result,” “would,” “believe,” “estimate,” “planned,” “plans,” “intends,” “may,” “should,” “could,” “anticipate,” “estimate,” “project,” “projected,” “forecast,” and “forecasted” or similar expressions. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, actual results may differ materially from our expectations. Factors that could cause actual results to differ from expectations include, without limitation:

(1) increased competitive activity from companies in the skin care, makeup, fragrance and hair care businesses;

(2) our ability to develop, produce and market new products on which future operating results may depend and to successfully address challenges in our business;

(3) consolidations, restructurings, bankruptcies and reorganizations in the retail industry causing a decrease in the number of stores that sell our products, an increase in the ownership concentration within the retail industry, ownership of retailers by our competitors or ownership of competitors by our customers that are retailers and our inability to collect receivables;

(4) destocking and tighter working capital management by retailers;

(5) the success, or changes in timing or scope, of new product launches and the success, or changes in timing or scope, of advertising, sampling and merchandising programs;

(6) shifts in the preferences of consumers as to where and how they shop;

(7) social, political and economic risks to our foreign or domestic manufacturing, distribution and retail operations, including changes in foreign investment and trade policies and regulations of the host countries and of the United States;

(8) changes in the laws, regulations and policies (including the interpretations and enforcement thereof) that affect, or will affect, our business, including those relating to our products or distribution networks, changes in accounting standards, tax laws and regulations, environmental or climate change laws, regulations or accords, trade rules and customs regulations, and the outcome and expense of legal or regulatory proceedings, and any action we may take as a result;

(9) foreign currency fluctuations affecting our results of operations and the value of our foreign assets, the relative prices at which we and our foreign competitors sell products in the same markets and our operating and manufacturing costs outside of the United States;

(10) changes in global or local conditions, including those due to volatility in the global credit and equity markets, government economic policies, natural or man-made disasters, real or perceived epidemics, supply chain challenges, inflation, or increased energy costs, that could affect consumer purchasing, the willingness or ability of consumers to travel and/or purchase our products while traveling, the financial strength of our customers, suppliers or other contract counterparties, our operations, the cost and availability of capital which we may need for new equipment, facilities or acquisitions, the returns that we are able to generate on our pension assets and the resulting impact on funding obligations, the cost and availability of raw materials and the assumptions underlying our critical accounting estimates;

(11) shipment delays, commodity pricing, depletion of inventory and increased production costs resulting from disruptions of operations at any of the facilities that manufacture our products or at our distribution or inventory centers, including disruptions that may be caused by the implementation of information technology initiatives, or by restructurings;

(12) real estate rates and availability, which may affect our ability to increase or maintain the number of retail locations at which we sell our products and the costs associated with our other facilities;

(13) changes in product mix to products which are less profitable;

(14) our ability to acquire, develop or implement new information technology, including operational technology and websites, on a timely basis and within our cost estimates; to maintain continuous operations of our new and existing information technology; and to secure the data and other information that may be stored in such technologies or other systems or media;

(15) our ability to capitalize on opportunities for improved efficiency, such as publicly-announced strategies and restructuring and cost-savings initiatives, and to integrate acquired businesses and realize value therefrom;

(16) consequences attributable to local or international conflicts around the world, as well as from any terrorist action, retaliation and the threat of further action or retaliation;

(17) the timing and impact of acquisitions, investments and divestitures; and

(18) additional factors as described in our filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

We assume no responsibility to update forward-looking statements made herein or otherwise.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

The information required by this item is set forth in Item 2 of this Quarterly Report on Form 10-Q under the caption *Liquidity and Capital Resources - Market Risk* and is incorporated herein by reference.

Item 4. ***Controls and Procedures.***

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of September 30, 2024 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

As part of our review of internal control over financial reporting, we make changes to systems and processes to improve such controls and increase efficiencies, while ensuring that we maintain an effective internal control environment. There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the first quarter of fiscal 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings.***

For a discussion of legal proceedings, see *Notes to Consolidated Financial Statements, Note 8 – Commitments and Contingencies*.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

Share Repurchase Program

We are authorized by the Board of Directors to repurchase shares of our Class A Common Stock in the open market or in privately negotiated transactions, depending on market conditions and other factors. The following table provides information relating to our repurchase of Class A Common Stock during the referenced periods:

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program[2]
July 2024	—	$ —	—	25,073,242
August 2024	—	—	—	25,073,242
September 2024	103,752	91.75	—	25,073,242
	103,752	91.75	—	

(1) Reflects shares that were repurchased by the Company to satisfy tax withholding obligations upon the payout of certain stock-based compensation arrangements.

(2) The Board of Directors has authorized the current repurchase program for up to 256.0 million shares. The total amount was last increased by the Board on October 31, 2018. Our repurchase program does not have an expiration date.

Beginning in December 2022, we suspended the repurchase of shares of our Class A Common Stock under our publicly announced program. We may resume repurchases in the future.

THE ESTÉE LAUDER COMPANIES INC.

Item 5. Other Information.

Trading Arrangements
During the fiscal 2025 first quarter, none of the Company's directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Item 408(a) of Regulation S-K under the Exchange Act.

Item 6. *Exhibits.*

Exhibit Number	Description
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO). (furnished)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO). (furnished)
101.1	The following materials from The Estée Lauder Companies Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings (Loss), (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements
104	The cover page from The Estée Lauder Companies Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 is formatted in iXBRL

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE ESTÉE LAUDER COMPANIES INC.

Date: October 31, 2024

By: /s/ TRACEY T. TRAVIS
Tracey T. Travis
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

Certification

I, Fabrizio Freda, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Estée Lauder Companies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2024

/s/ Fabrizio Freda

Fabrizio Freda
President and Chief Executive Officer

Exhibit 31.2

Certification

I, Tracey T. Travis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Estée Lauder Companies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2024

/s/ Tracey T. Travis

Tracey T. Travis
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification
Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), the undersigned officer of The Estée Lauder Companies Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the “10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2024

/s/ Fabrizio Freda

Fabrizio Freda
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002) and for no other purpose.

Exhibit 32.2

Certification
Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), the undersigned officer of The Estée Lauder Companies Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2024

/s/ Tracey T. Travis

Tracey T. Travis
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002) and for no other purpose.