



L'Oréal Equity Valuation

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Dissertation submitted in partial fulfilment of requirements for the
MSc in Finance, at the Universidade Católica Portuguesa, 20th March
2026.

Abstract

This thesis provides a financial and valuation analysis of L'Oréal, a global leader in the Beauty and Personal Care Industry. By applying fundamental equity valuation principles, the core objective of this thesis is to estimate the company's value.

The valuation of L'Oréal is primarily conducted by a Discounted Cash Flow Model. This method allows for a more comprehensive assessment of L'Oréal considering revenue growth expectations, operating margins and capital structure assumptions. This approach results in a target price of €351.06 per share as of 31st of December 2025, implying a 4.24% downside compared to the current share price observed on the same date of €366.60, supporting a HOLD recommendation.

To strengthen the robustness of the valuation results, a sensitivity analysis was included, as well as a Monte Carlo simulation. Furthermore, a relative valuation is also included by benchmarking L'Oréal across a set of selected comparable firms.

Finally, this thesis performs a comparison between its valuation and the valuation of an equity research report published by Jefferies, highlighting key differences in assumptions and methodology.

Keywords: Equity Valuation, L'Oréal, Beauty and Personal Care, Discounted Cash Flow, Relative Valuation

Dissertation Title: L'Oréal Equity Valuation

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Resumo

Esta dissertação apresenta uma análise financeira e avaliação da L'Oréal, líder global na Indústria de Beleza e Cuidados Pessoais. Através da aplicação de princípios fundamentais de avaliação de empresas, o principal objetivo desta dissertação é estimar o valor da empresa.

A avaliação da L'Oréal é realizada principalmente através do Modelo de Fluxo de Caixa Descontado. Este método permite uma avaliação mais abrangente da L'Oréal, considerando as expectativas de crescimento das vendas, margens operacionais e suposições da estrutura de capital. Esta abordagem resulta num preço alvo de €351.06 por ação a 31 de dezembro de 2025, o que implica uma desvalorização de 4.24% face ao preço da ação observado na mesma data, justificando uma recomendação de MANTER.

Para reforçar a robustez dos resultados da avaliação, é incluída uma análise de sensibilidade, bem como uma simulação de Monte Carlo. Para além disso, é também incluída uma avaliação relativa, comparando a L'Oréal em relação a um grupo de empresas comparáveis selecionadas.

Por fim, esta tese elabora uma comparação entre a avaliação obtida e a de um relatório de análise financeira publicado pela Jefferies, destacando as principais diferenças entre as suposições e metodologia.

Palavras-Chave: Avaliação de Ações, L'Oréal, Beleza e Cuidados Pessoais, Fluxo de Caixa Descontado, Avaliação Relativa

Título da Dissertação: Avaliação da empresa L'Oréal

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Acknowledgments

I would like to express my sincere gratitude to Professor José Tudela Martins for his invaluable guidance and support throughout the development of this thesis.

I would also like to extend my gratitude to all the professors at Católica Lisbon School of Business and Economics who, throughout this journey, crossed my path and sparked my interest in the field of Finance.

I am deeply thankful to my mother and family for their unwavering support and encouragement. I would also like to express my special thanks to my boyfriend for his constant support and belief in me throughout this academic journey.

Finally, I would like to thank my friends with whom I shared this demanding experience, since without them it would have been much harder than it already was.

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List of Abbreviations

APV	Adjusted Present Value
BV	Book Value
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditures
CAPM	Capital Asset Pricing Model
D&A	Depreciation and Amortization
D/E	Debt-to-Equity
DCF	Discounted Cash Flow
DDM	Dividend Discount Model
EBIT	Earnings before Interest & Taxes
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EBT	Earnings before Taxes
EUR	Euro
EV	Enterprise Value
EV/EBIT	Enterprise Value-to-Earnings before Interest & Taxes
EV/EBITDA	Enterprise Value-to-Earnings before Interest, Taxes, Depreciation and Amortization
EV/Sales	Enterprise Value-to-Sales
FCF	Free Cash Flow
FCFE	Free Cash Flow to the Equity
FCFF	Free Cash Flow to the Firm
K_e	Cost of Equity
K_d	Cost of Debt
MV	Market Value
NOPAT	Net Operating Profit After Tax
NWC	Net Working Capital
P/B	Price-to-Book Value
P/E	Price-to-Earnings
P/S	Price-to-Sales
PPE	Property, Plant and Equipment

PV	Present Value
ROIC	Return on Invested Capital
RR	Reinvestment Ratio
SOTP	Sum-of-the-Parts
TV	Terminal Value
WACC	Weighted Average Cost of Capital

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1. Introduction

Determining the fair value of a company is one of the most challenging tasks in Finance. While market prices are the most visible indicator of a company's worth, they are frequently influenced by market sentiment, macroeconomic indicators and short-term volatility. The core of equity valuation lies in the ability to understand a company's true economic essence. Financial figures are more than just values, since they are the reflection of the company's strategic decisions.

L'Oréal, a global leader in the Beauty and Personal Care Industry, with a portfolio of 37 international brands ranging from mass-market consumer products to high-end luxury and dermatological care, represents a case of resilience and continuous innovation, ambition and global expansion.

The core of this thesis lies in identifying potential discrepancies between the market valuation and the intrinsic value estimated through a comprehensive analysis. By the end, this thesis culminates in an investment recommendation based on the gap observed between the market price and the target price. Furthermore, this thesis is enriched by providing a comparison between the findings of the thesis with a research report published by Jefferies, by contrasting model's assumptions and methodology.

2. Literature Review

Every financial or real asset has an underlying value. As Damodaran (2006) observes, valuation lies at the heart of finance, as it allows investors and managers to transform information and expectations into a consistent measure of value.

The main objective of equity valuation is to estimate a firm's intrinsic value based on its ability to generate future cash flows. Although market capitalization, which is obtained by multiplying the company's share price by its total number of outstanding shares, offers a quick indication of value, it mostly reflects market sentiment at a given point in time and is therefore subject to short-term volatility.

$$\text{Market Capitalization} = \text{Share Price} * \text{Total Outstanding Shares}$$

Equation 1 – Market Capitalization

In contrast, valuation aims to assess the firm's fundamental worth, independent of temporary market fluctuations.

Before examining the specific valuation methods, it is important to understand the three broad categories of approach to achieve a consistent and credible valuation: Income-Based, Market-Based and Asset-Based Approaches.

The Income Based Approach determines a company's value by assessing the present value of expected future cash flows, such as Discounted Cash Flow, Dividend Discount Model and Adjusted Present Value. The Market-Based Approach uses market prices and market metrics to determine the company's value, which relies on using valuation multiples of comparable firms to infer the relative value of the target company. The Asset-Based Approach uses the value of net assets, which includes both tangible and intangible assets, to achieve the company's value.

The three different approaches may be appropriate depending on the company's characteristics, the industry in which it operates and the purpose of valuation.

Before diving in the different models of valuation, it is important to clarify some key concepts in equity valuation.

2.1 Discounted Cash Flow Model

The Discounted Cash Flow (DCF) Model is one of the three main approaches to value a company (Damodaran, 2012). Relative valuation methods are preferable due to their simplicity and reliance on observable market data, although the DCF Model remains the theoretical foundation on which all other approaches are built. It is based on the fundamental principle that the value of a business equals the present value of the future cash flows it is expected to generate, discounted at a rate that reflects the level of risk associated with those cash flows. This approach allows analysts to capture the time value of money and the uncertainty surrounding a firm's performance over time.

The DCF Model can be applied in two ways: Free Cash Flow to the Firm (FCFF) or Free Cash Flow to Equity (FCFE). The FCFF approach discounts cash flows available to all providers of capital, both debt and equity holders, using the Weighted Average Cost of Capital (WACC) as the discount rate. In contrast, the FCFE approach focuses only on the cash flows available to shareholders after discounting interest payments and debt repayments, which are discounted using the Cost of Equity.

An important component of the DCF Model is the Terminal Value (TV) which often represents a significant portion of the firm's total value. The TV reflects the company's ability to sustain growth in the long term. However, because both the discount rate and the long-term growth assumptions are highly sensitive, even small changes can significantly impact the final valuation. This emphasises the importance of performing a sensitivity analysis.

Despite its robustness, the DCF method also has some limitations. It relies heavily on the accuracy of financial forecasts and on the estimation of key inputs such as growth rates, cost of capital, and risk premiums. Small changes in these assumptions can lead to large variations in the estimated value. For this reason, transparency, consistency and a solid understanding of the company's fundamentals are critical when applying this approach (Koller, Goedhart & Wessels, 2020).

The DCF Model can be expressed as follows:

$$Firm\ Value = \sum_{t=1}^n \frac{FCFF_t}{(1 + WACC)^t} + \frac{TV}{(1 + WACC)^n}$$

Equation 2 – Firm Value

Where:

$FCFF_t$ = Free Cash Flow to the Firm at time t

$WACC$ = Weighted Average Cost of Capital

TV = Terminal Value

n = final year of the forecasted period

2.1.1 Free Cash Flow to the Firm

The Free Cash Flow to the Firm represents the expected cash flow from operations after taxes, and before interest payments and all investments made by the company. This shows the available amount to both debt holders and equity holders, regardless of the company's capital structure. It is one of the key measures of the company's capacity to generate value.

$$FCFF = EBIT * (1 - t_c) + D\&A - \Delta NWC - CAPEX$$

Equation 3 – Free Cash Flow to the Firm

Where:

$EBIT$ = Earnings before Interest and Taxes

t_c = Corporate Tax Rate

$D\&A$ = Depreciation and Amortization

ΔNWC = Change in Net Working Capital

$CAPEX$ = Capital Expenditures

Terminal Value

The Terminal Value is the estimated value of a company beyond the explicit forecast period, assuming that the business will continue to generate cash flows indefinitely. The company should be in a steady state at the end of the explicit period, and the chosen growth rate must be sustainable in the long run, consistent with the economy's long run growth potential. The

TV is typically seen as a perpetuity, capturing the continuing value of the firm's cash flows after the projection horizon.

$$V_t = \frac{FCFF_{t+1}}{WACC - g}$$

Equation 4 – Value of the Firm today

Where:

V_t – Value of the Firm today

$FCFF_{t+1}$ – Expected Free Cash Flow to the Firm next Year

$WACC$ – Weighted Average Cost of Capital

g – Growth Rate in the FCFF

$$E_t = \frac{FCFE_{t+1}}{K_e - g}$$

Equation 5 – Value of the Equity today

Where:

E_t – Value of the Equity today

$FCFE_{t+1}$ – Expected Free Cash Flow to the Equity next Year

K_e – Cost of Equity

g – Growth Rate in the FCFE

The long-term growth is commonly derived from two elements: the level of reinvestment and the return on that reinvested capital. The Return on Invested Capital (ROIC) captures the profitability of incremental capital employed, and the Reinvestment Ratio (RR) represents the proportion of NOPAT that is reinvested to support future expansion.

$$g = ROIC * RR$$

Equation 6 – Terminal Growth Rate

Where:

ROIC – Return on Invested Capital

RR – Reinvestment Ratio

This formulation emphasizes that long-term growth is fundamentally driven by the firm's reinvestment capacity and its return on capital, rather than being treated as an exogenous assumption.

Weighted Average Cost of Capital

The Weighted Average Cost of Capital represents the average rate of return that a company must pay to its capital providers, according to their relative weights in the company's capital structure. It is used as a discount rate in the DCF Model to calculate the present value of the future FCFF.

$$WACC = r_d \frac{D}{D + P + E} (1 - t_c) + r_p \frac{P}{D + P + E} + r_e \frac{E}{D + P + E}$$

Equation 7 – Weighted Average Cost of Capital

Where:

D = Market Value of Net Debt

P = Market Value of Preferred Shares

E = Market Value of Equity

r_d = Cost of Debt

r_p = Cost of Preferred Shares

r_e = Cost of Equity

t_c = Corporate Tax Rate

However, in the case of L'Oréal, the company's capital structure is composed only by debt and equity as there are no preferred shares. Therefore, the formula of the WACC is simplified to:

$$WACC = r_d \frac{D}{D + E} (1 - t_c) + r_e \frac{E}{D + E}$$

Equation 8 – Simplified Weighted Average Cost of Capital

In reality, D does not represent debt but rather net debt, which corresponds to the difference between the market value of debt and excess cash.

Nevertheless, the calculation of the WACC depends on several assumptions and market-based inputs, such as capital structure, risk premiums, and interest rates, which can vary over time and significantly influence the valuation outcome.

Cost of Equity

The Cost of Equity is one of the most important components of the WACC. It is the return that investors require for taking on the risk of investing in the company. The Cost of Equity is typically estimated using the Capital Asset Pricing Model (CAPM), which links the expected return with systematic risk. It equals the risk-free rate plus a premium for the company's exposure to market risk, represented by the beta coefficient.

$$r_e = r_f + \beta(E(r_m) - r_f)$$

Equation 9 – Cost of Equity

Where:

r_f = Risk-Free Rate

β = Beta

$E(r_m)$ = Expected Return on the Market

Risk-Free

The Risk-Free Rate is the return an investor can expect to earn on an investment that has zero risk. It is usually considered to be equal to the interest paid on a 10-year highly rated government treasury note. While it is possible for a highly rated government to default on its securities, the probability of this happening is considered to be very low.

As an example, an investor who is investing in securities that trade in USD should use the U.S. T-note rate, whereas an investor who is investing in securities traded in Euros should use the equivalent German note.

Beta

Beta is the measure of systematic risk, meaning that it measures the volatility of a stock in comparison with the market. It reflects the level of risk an investor takes on when buying the stock. If the Beta is higher than one, it means that the stock is more volatile than the market. If it is equal to one, it shows that it moves in line with the market and if less than one means that the stock is less risky than the market.

$$\beta = \frac{\text{Covariance } (R_i - r_f, R_m - r_f)}{\text{Variance } (R_m - r_f)}$$

Equation 10 – Beta

Where:

R_i = Return on stock i

R_m = Return on the Market

r_f = Risk-Free Rate

Although rather than relying on the beta derived from historical data, some financial data providers and authors incorporate an adjustment to this raw beta. This approach was firstly introduced by Blume, in 1979, and is based on the empirical observation that company betas tend to move closer to one over time. Based on this, the following adjusted beta approach is used.

$$\bar{\beta} = \frac{2}{3}\hat{\beta} + \frac{1}{3}$$

Equation 11 – Adjusted Beta

Where:

$\bar{\beta}$ = Beta Adjusted

$\hat{\beta}$ = Raw Beta

Market Risk Premium

The Market Risk Premium results from the difference between the Return on the Market and the Risk-Free Rate. It provides a quantitative measure of the extra return demanded by investors for the increased risk.

$$MRP = R_m - r_f$$

Equation 12 – Market Risk Premium

Where:

R_m = Return on the Market

r_f = Risk-Free Rate

Cost of Debt

The Cost of Debt is the second major component of the WACC. It refers to the effective rate of return that a company provides to its debt holders and creditors as a compensation for the risk that they take when they lend money to the company. It reflects how much it costs a company to borrow money. This helps investors understanding the company's risk when compared to others, as riskier companies generally have higher cost of debt than the others.

This rate reflects the gross return required by debt investors, before any tax adjustment. While it gives a good estimate of the company's financing cost from the lenders' point of view, in valuation it is usually adjusted for taxes to reflect the actual cost of debt that the company faces.

The Pre-Tax Cost of Debt represents the interest rate the company pays to its lenders or bondholders for the funds it borrows. It shows the company's total borrowing cost in the market, which depends on factors such as credit quality, level of leverage and general interest rate conditions. This rate reflects the gross return required by debt investors, before taking into account any tax benefits. Although, it gives a good picture of the company's financing cost from the lenders' point of view, in valuation it is usually used the After-Tax Cost of Debt, as it reflects the actual cost of debt a company faces.

Because interest payments reduce the company's taxable income, the After-Tax Cost of Debt is lower than the nominal rate paid to lenders. This adjustment reflects the advantage that a company face from incurring in interest expenses, often referred to as Tax Shield. Based on this, the After-Tax Cost of Debt is used when calculating the Weighted Average Cost of Capital (WACC), as it captures the company's actual cost of borrowing after considering any tax savings.

$$\text{After - Tax Cost of Debt} = K_d (1 - t_c)$$

Equation 13 – After-Tax Cost of Debt

Where:

K_d = Cost of Debt

t_c = Corporate Tax Rate

By incorporating this adjustment in the WACC, it reflects a more accurate cost of financing for the company, which will impact the overall valuation.

2.1.2 Adjusted Present Value

The Adjusted Present Value (APV), introduced in 1974 by Stewart Myers, is an approach to valuation designed to value the assets-in-place, that is the company's existing assets that are expected to generate future cash flows. One of the main advantages of APV is that it allows managers and analysts to understand where the value comes from, not just how much the asset or company is worth (Timothy A. Luehman).

The fundamental idea behind APV is that it unbundles the different components of value and analyses each one separately. In contrast, the traditional WACC bundles all financing effects, like tax shields and debt costs, into a single discount rate, which can sometimes obscure how different factors contribute to value (Timothy A. Luehman).

In practice, the APV is calculated in two steps. First, the value of the company's operations is estimated assuming all-equity financing by discounting the free cash flows at the unlevered cost of equity. Second, the value of financing effects is added, which usually includes tax benefits from debt, and the value of distress costs is subtracted.

This approach is particularly useful when analysing companies with changing capital structures, such as during mergers, acquisitions, or periods of significant new debt issuance. Overall, the APV provides a clearer and more flexible view of value than WACC, allowing for more transparency in decision-making and a better understanding of how different factors, operational or financial, drive the company's worth.

The value of the levered firm can be expressed as follows:

$$APV = V_u + PV(\text{Interest Tax Shield}) - PV(\text{Financial Distress Costs})$$

Equation 14 – Adjusted Present Value

Where:

V_u = Value of the Unlevered Firm

$PV(\text{Interest Tax Shield})$ = Present Value of Tax Benefits from Debt

$PV(\text{Financial Distress Costs})$ = Present Value Costs from Financial Distress

2.1.3. Dividend Discount Model

The Dividend Discount Model (DDM) is based on the principle that the value of a company equals the sum of the present value of all its expected future dividends. This model represents a specific form of discounted cash flow analysis, in which dividends are considered the primary cash flow component.

The rationale for the model lies in the present value rule, meaning that the value of any asset is the present value of expected future cash flows, discounted at a rate appropriate to the riskiness of the cash flows being discounted (Damodaran, 2012)

Since forecasting dividends infinitely is not feasible, two versions of the DDM have been developed based on different assumptions about future growth. The Gordon Growth Model is one form, that can be applied to companies that are in a steady state with dividends growing at a rate that can be sustained infinitely.

There are two critical insights that should be considered when estimating a stable growth rate. First, since the growth rate in the firm's dividends is expected to last forever, the other performance measures should also be expected to grow at the same rate. For example, if dividends grow at a rate higher than the earnings, eventually the dividends will exceed the company's earnings. Over time, this scenario isn't sustainable, as the payout ratio would approach zero, which contradicts the assumption of a stable growth rate. Therefore, it's crucial for analysts to use a consistent growth rate for both dividends and earnings, ensuring they align over the long run. Secondly, the growth rate used in the model must be reasonable and cannot exceed the overall growth rate of the economy in which the firm operates. Any company, no matter how profitable, can grow indefinitely at a rate higher than the growth rate of the economy. Thus, a stable growth rate should be less than or equal to the long-term growth rate of the economy, as this is what can be considered sustainable (Damodaran, 2012).

$$V_t^E = \frac{E(DPS_{t+1})}{k_e - g}$$

Equation 15 – Equity Value

Where:

$E(DPS_{t+1})$ = Expected Dividend Per Share next period

k_e = Cost of Equity

g = Stable Growth Rate

The stable growth rate is derived from the equation below:

$$g = \text{Retention Ratio} * ROE = (1 - \text{Payout Ratio}) * ROE$$

Equation 16 – Stable Growth Rate

The Two-Stage Dividend Discount Model (DDM) is an extension of the basic Gordon Growth Model, incorporating two distinct phases of growth. Initially, there is an extraordinary growth phase where the growth rate, denoted as g is higher than the stable rate. This phase lasts for n years. After this phase, the company transitions to a stable growth phase, where dividends grow at a constant rate indefinitely (Damodaran, 2012).

$$V_t^E = \frac{D_t(1 + g_L)}{K_e - g_L} + \frac{+D_t H(g_S - g_L)}{K_e - g_L}$$

Equation 17 – Two-Stage Dividend Discount Model

Where:

D_t = Dividend in the Current Period

H = Half-Life in Years of the High Growth Period

g_S = Initial Growth Rate

g_L = Stable Growth Rate

K_e = Cost of Equity

2.2. Relative Valuation

The Relative Valuation Model determines the value of an asset by comparing it with similar assets that are priced in the market. This approach reflects market sentiment by showing

how investors price comparable assets. It is a straightforward and widely used method, however its accuracy depends heavily on choosing the right peer companies and assuming that they are being correctly valued (Damodaran, 2006).

A similar company is one that shares characteristics such as operating in the same business area or market, having a comparable size, and a similar Debt-to-Equity (D/E) ratio. These factors help ensure that the companies being compared face similar risks and growth opportunities. However, the most important drivers in determining similarity are profitability and growth rate. Companies with similar profitability and growth potential are more likely to be accurately valued against one another, as these factors heavily influence their prospects and valuation multiples.

There are three essential steps in relative valuation. The first step is finding comparable assets that are priced by the market. The second step is scaling the market prices to a common variable, which helps to generate standardized prices that are comparable. This usually means converting the market value of the equity or the firm into multiples. The last step is adjusting for differences across assets when comparing their standardized values (Damodaran, 2006)

There are several valuation multiples used to compare companies. The choice of metric used usually depends on the industry that the company is in. However, there are common ratios used, such as the Price-to-Earnings (P/E) Ratio, Enterprise Value-to-EBITDA (EV/EBITDA), Price-to-Book (P/B) Ratio and Price-to-Sales (P/S) Ratio. These multiples are critical in understanding how a company is priced in relation to its earnings, revenues, or book value, which are key metrics for investors.

The P/E ratio is one of the most used multiples and is particularly useful for comparing companies with stable earnings. It shows how much investors are willing to pay for the company's earnings. A higher P/E than its peers indicates that the stock is overvalued, and consequently a lower P/E than its peers mean it is undervalued. This multiple cannot be used when the earnings are negative.

The EV/EBITDA ratio allows for comparison of companies regardless of the differences in their capital structures. It provides a more comprehensive view of a company's value since it includes debt and excludes the effects of interests, taxes and D&A. This makes it

especially useful when comparing companies with varying levels of debt, as it focuses on the operational profitability of the firm.

The P/B ratio is commonly used in conservative companies, particularly those with slow profit growth or that are relatively new. This multiple compares a company's current price with its historical equity, meaning that it reflects the past performance of the company. However, when inflation is high the use of it is meaningless. Although the P/B has advantages since it is easy to use, objective, and stable and can be applied to companies that are facing losses. A low P/B may indicate that the company is in financial difficulties.

The P/S is particularly useful for evaluating companies in their early-stage and with low profitability. This multiple compares a company's market value with its revenues, making it a helpful tool for companies that have strong sales but are not yet profitable. A low P/S could indicate that the stock is undervalued.

2.3. Sum of the Parts

The Sum-of-the-parts (SOTP) valuation model estimates the total value of the company by valuing each of its individual business segments independently and then summing them together. This approach is particularly useful for companies with diverse industry segments, holding companies, or companies with distinct assets. By valuing each segment separately according to its own industry benchmarks, growth prospects, and risk factors, SOTP can reflect a more accurate and realistic estimate of a company's intrinsic value. (Andersen, 2024)

3. Industry Overview

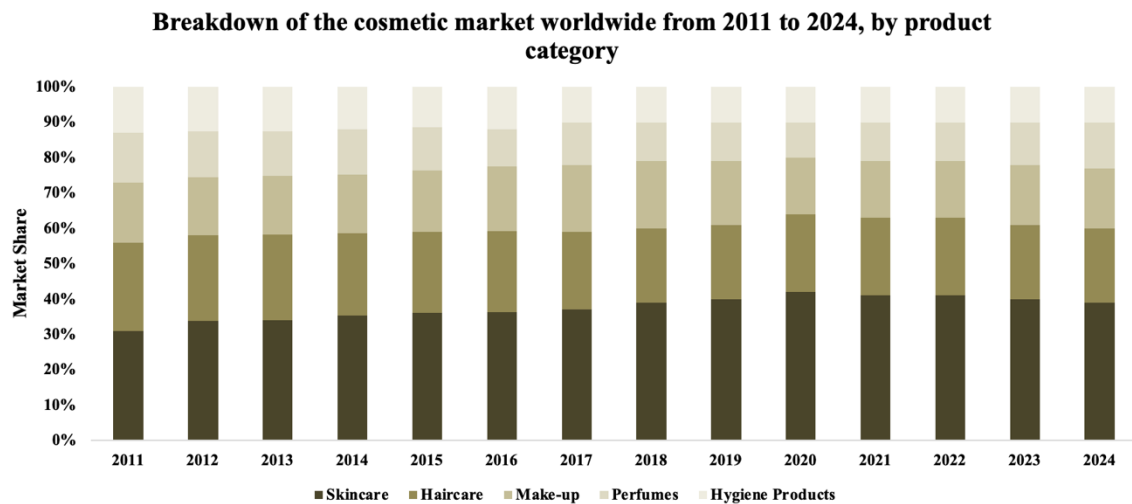
3.1 Industry Background

The beauty and personal care industry has been a resilient, adaptable and prosperous segment of the consumer goods sector. In the last few years, beauty has improved from being a luxury to becoming an essential part of people's daily lives, linked to self-confidence, well-being, and personal expression. This change in the consumer behaviour has ensured that the industry to remains strong and stable even during periods of economic fluctuations.

In 2024, the global beauty and personal care market has reached a value of USD 626 Billion with L'Oréal being the most valuable cosmetics brand worldwide. In the future, the industry is expected to record gains across all segments. Particularly, there will be an increase in consumption in sun protection and anti-aging products as consumers become increasingly aware of the effects of sun exposure and more focused on maintaining a healthy and youthful appearance.

3.2 Industry Definition

The beauty and personal care market is divided into five business segments: Skincare, Haircare, Make-up, Perfumes and Hygiene Products. These categories complement one another and together satisfy a wide range of consumers' needs and expectations. In 2024, Skincare products accounts for 39% of the total global cosmetics market. Haircare and Make-up are positioned in second and third places, with 21% and 17%, respectively.



Source: Statista

Figure 1 – Cosmetic Market Worldwide by Product Category

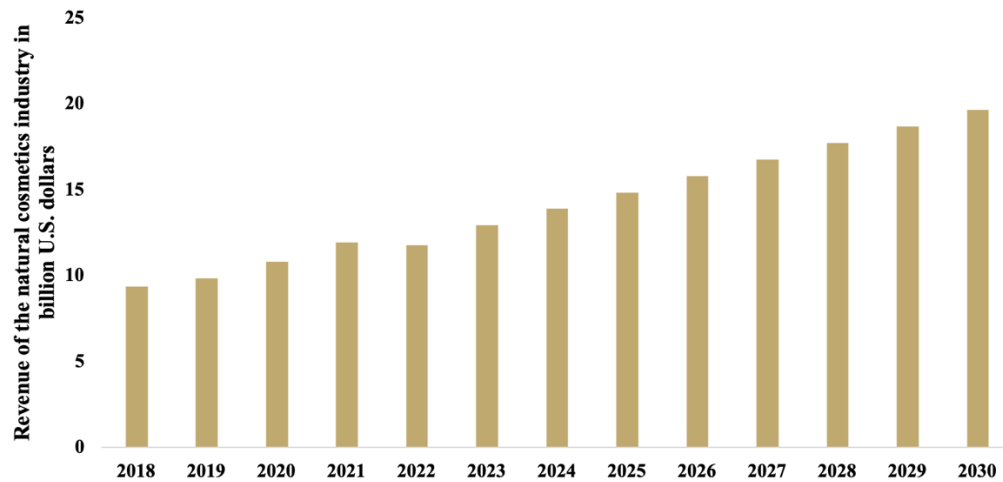
Beauty products are subcategorized into premium and mass production segments, based on their brand positioning, pricing and distribution channels used.

Similar to other consumer goods industries, natural and organic beauty products have become increasingly popular, reflecting a broader shift toward health-conscious and sustainable lifestyles. Cosmetics and personal care products are now easily accessible and are a major component of retail consumption globally.

3.3 Industry Trends

One of the most significant trends shaping the industry is the rising demand for natural and sustainable products. This trend has been observed in many other consumer goods categories, as younger generations are becoming more interested in such product types. The global revenue of the natural and organic cosmetics market reached approximately 13.88 billion US dollars in 2024 which is expected to rise steadily to around 19.62 billion US dollars by 2030. This growth shows that sustainability has become a core part of the beauty market.

Revenue of the natural cosmetics industry worldwide from 2018 to 2030 (in billion U.S. dollars)



Source: Statista

Figure 2 – Revenue of Natural Cosmetics Industry Worldwide

Another important trend reshaping the beauty and personal care market is the impact of digitalization and technology. The way people discover, and experience beauty has changed significantly, from social media usage as a source of inspiration to using virtual try-on technologies that help consumers find the best product without leaving stepping out of their houses.

Beauty has become increasingly digital and interactive, with e-commerce and online platforms turning into essential spaces where consumers explore brands, read reviews, and share opinions.

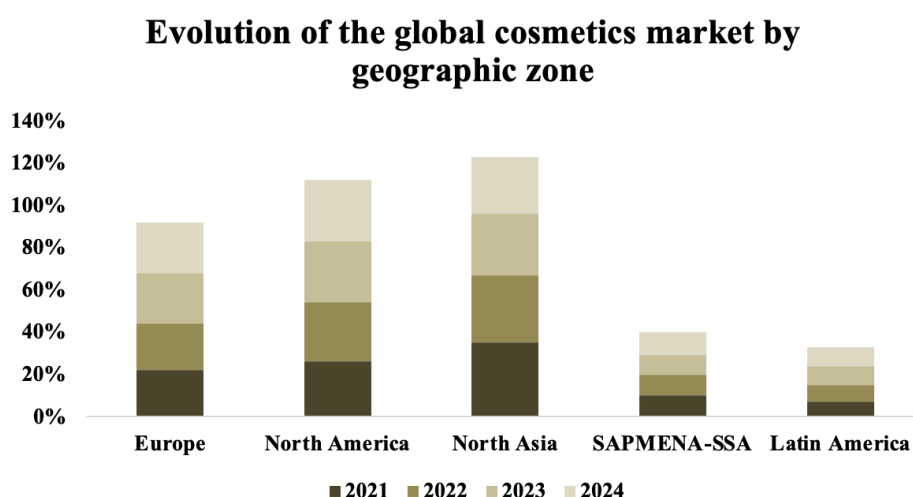
Technology has also made beauty more personal. Through data analysis and artificial intelligence, brands can now recommend products tailored to individual needs or even design skincare routines based on specific concerns. Additionally, influencers have become key players in shaping trends and influencing purchase decisions, especially among younger generations. Social media platforms like TikTok and Instagram allow beauty trends to emerge and become popular in real time, pressuring brands to be more authentic, transparent, and responsive to consumer expectations.

3.4 Regional Overview

Before analysing how this regional structure has evolved, it is important to clarify that in 2021 L'Oréal changed its geographical segmentation, merging certain zones and creating new ones, such as SAPMENA–SSA¹. To keep the analysis consistent and comparable, the evolution presented below (*Figure 3*) focuses on the period from 2021 onwards, when the current five-region system was implemented.

The beauty and personal care market shows clear differences across regions. In 2024, North America led the industry, with a market share of 29%, followed by North Asia (27%), Europe (24%), SAPMENA-SSA (11%), and then Latin America (9%). These numbers highlight the dominance of mature markets, while also showing how emerging regions are becoming increasingly relevant for the industry's future growth.

North Asia, comprising countries such as China, Japan, and South Korea, has become a significant region in terms of innovation, strongly influenced by the K-Beauty² trend and the digital consumer segment. North America is a mature and dynamic region, characterized by premiumization and strong brand loyalty, while Europe is a region that focuses on sustainability and product quality. Emerging regions such as SAPMENA–SSA and Latin America are gaining relevance due to rising middle class and digitally engaged consumers.



Source: L'Oréal Annual Reports

Figure 3 – Evolution of Global Cosmetics Market by Geographic Zone

¹ SAPMENA includes South Asia, Pacific, Middle East and North Africa; SSA incorporates sub-Saharan Africa.

² B-Beauty refers to the acquired Korean Skin Care Brand Dr. G.

Overall, the chart reinforces the growing relevance of North America and North Asia, the solid performance of Europe, and the increasing importance of SAPMENA–SSA and Latin America. The beauty industry is gradually shifting towards regions with stronger demographics, growing middle classes, and higher levels of digital engagement, which are all factors that are expected to continue driving global growth in the upcoming years.

3.5 Competitors

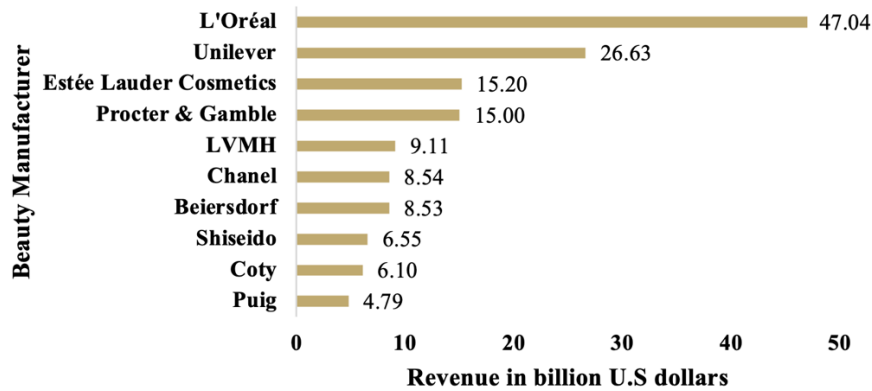
The beauty and personal care industry is highly competitive and dynamic, driven by a combination of traditional and established global leaders and smaller, fast-growing brands. While thousands of companies operate in this industry, the market is largely dominated by a few multinational groups with diversified portfolios that cover multiple segments and price ranges.

L'Oréal stands as the top global beauty manufacturer, reaching 47.04 billion US dollars in revenue in 2024. The company maintains its position through strong innovation, global presence and a diversified portfolio. It is followed by Unilever, Estée Lauder Cosmetics and Procter & Gamble, all of which with significant market shares and play an essential role in defining trends in the global personal care industry.

Most of these companies share similar strategies, such as investing in innovation, digitalization and sustainability, while differentiating themselves through brand identity and consumer perception. In recent years, the rise of independent and digital brands has increased competition, as these players focus on social media, influencer marketing, and proximity with consumers to build strong brand communities and gain visibility rapidly.

Despite the growing presence of new and independent brands, the market remains largely dominated by a few global leaders. The ten largest companies together account for almost 60% of total beauty sales, showing how scale and brand power still play a decisive role in the industry. Within this competitive environment, L'Oréal continues to be the leading one due to its wide brand portfolio, international presence, and ongoing commitment to innovation, maintaining a strong balance between mass-market, professional, and luxury segments.

Revenue of the leading ten beauty companies worldwide in 2024 (in billion U.S. dollars)

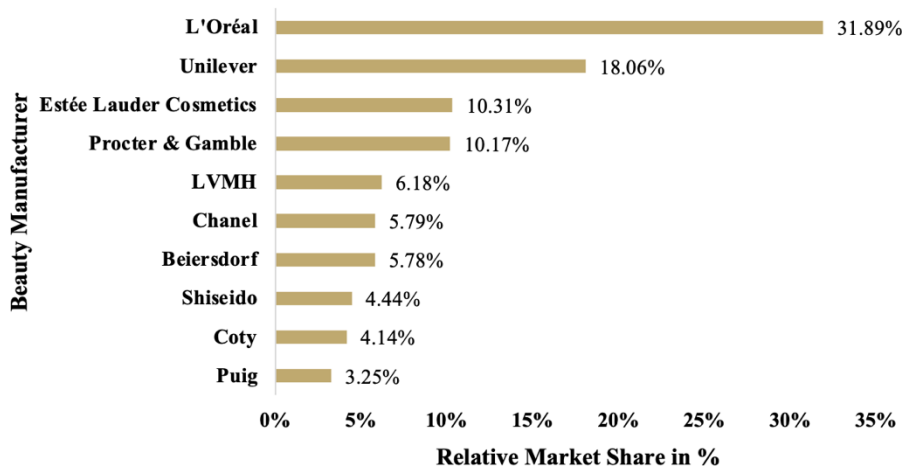


Source: Statista

Figure 4 – Revenue of the Ten Leading Beauty Companies Worldwide in 2024

The relative market share analysis in *Figure 5* clearly shows just how far ahead L'Oréal stands in the global beauty industry. In 2024, the company accounted for approximately one-third of the total revenue generated by the ten largest beauty manufacturers, placing it well above competitors such as Unilever, Estée Lauder and Procter & Gamble, among others. This, therefore, demonstrates not only the strength of the company, but also the scale advantage that continues to reinforce its global influence.

Relative Market Share of the leading ten beauty companies worldwide in 2024



Source: Statista

Figure 5 – Relative Market Share of the Ten Leading Beauty Companies in 2024

4. Company Overview

4.1 Company History

Founded in 1909 by Eugène Schueller, a French chemist who developed a safe hair dye formula called L'Auréale, L'Oréal began as a small company focused on creating innovative hair products. Schueller created his own products and began selling them to hairdressers in Paris.

Over the decades, L'Oréal has evolved from a local business into the world's largest cosmetics and beauty company. The company has continued to innovate and expand globally, often strengthened through strategic acquisitions. This has allowed the group to diversify its portfolio and maintain leadership across different market segments, from mass-market to luxury beauty.

Currently, the company has 90,293 employees, of which 36,839 employees are in Europe and about 23,783 in North Asia, reflecting its strong global presence.

4.2 Divisions and Brands

L'Oréal structures its business into four divisions: Consumer Products, Luxe, Dermatological Beauty and Professional Products. Each one targeting specific consumer needs, price ranges and consumer channels. This divisions allows the company to go from mass-market to luxury, dermatological and professional products. Innovation acts as the fuel for the success of the four different divisions. In total, the group has a portfolio of 37 international brands.

Consumer Products

“Democratising the best of beauty”

This segment accounted for 37% of the group sales with an operating margin of 21.1%, in 2024. It focuses on mass-market beauty and offering accessible products through supermarkets, pharmacies and digital channels. It includes some of the most well-known

brands such as L'Oréal Paris, Garnier, Maybelline New York and NYX Professional Makeup.

Luxe

“Creating the best in luxury beauty via breakthrough innovations, meaningful commitments and memorable experiences”

This segment represents the company's premium and prestige products, distributed through department stores and perfumeries. It includes brands such as Lancôme Paris, Yves Saint Laurent, Armani Beauty, Prada and Biotherm. In 2024, Luxe represented 36% of the group sales, with an operating margin of 22.3%.

Professional Products

“Offering professional beauty to all”

This segment is dedicated to professional haircare and salon expertise, offering advanced formulas for hairdressers around the world. With brands such as L'Oréal Professional Paris, Kérastase Paris and Redken, it provides professional products with innovative tools to enhance creativity and customer experience. It accounts for 11% of the group sales with an operating margin of 22.2%.

Dermatological Beauty

“Being pioneers in sustainable and life-changing dermatological solutions”

This division focuses on advanced, science-based skincare, often recommended by healthcare professionals and sold in pharmacies. It includes La Roche-Posay, CeraVe, Vichy Laboratoires and SkinCeuticals Advanced Professional Skincare. It accounts for 16% of the group sales in 2024 with an operating margin of 26.1%.

4.3 Business Model

The sense purpose of L'Oréal is to “Create the Beauty that moves the World”. Creating and sharing value is at the heart of the company's business model, which is designed to deliver sustainable growth for all its stakeholders. The company's strategy is based on two pillars:

universalisation and singularisation. Universalisation is based on the globalisation of brands while taking into account regional differences, enabling the company to serve and retain 1.5 billion consumers. Singularisation is based on beauty being a personal issue, offering inclusive and personalised solutions that respect people's differences.

To deliver this, L'Oréal runs a balanced and multi-polar model based on geographic zones, divisions, categories and distribution networks supported by a broad industrial footprint and a portfolio of 37 international brands. Supporting this model are the strengths that L'Oréal considers central to its identity "No. 1 in beauty": the business itself, the unique portfolio, steady financial performance, recognised social and environmental performance, committed and qualified employees, loyal shareholders and stable governance, and its ethical culture built on Integrity, Respect, Courage, and Transparency.

There are six strategic drivers that keep the model moving: Research & Innovation and the Green Sciences programmes which reduce environmental impact; Creativity at the service of our brands which builds distinctive, culturally resonant brands; Operational and safety excellence across the value chain; Digital and Beauty Tech which powers e-commerce; Multi-Channel Distribution which integrates mass, selective, pharmacy and professional channels and Sustainability commitments which include climate, packaging and social goals into day-to-day decisions under the L'Oréal for the Future agenda. Together, these strategic drivers support the groups' dual objective of achieving economic and corporate excellence. They align business performance with environmental and social responsibility, positioning L'Oréal to transform its business, empower its ecosystem and contribute to broader global challenges.

4.4 Financial Overview

Sales Performance

L'Oréal achieved a total revenue of €43,487 millions in 2024, which represent an increase of approximately 5.6% in relation to the previous year.

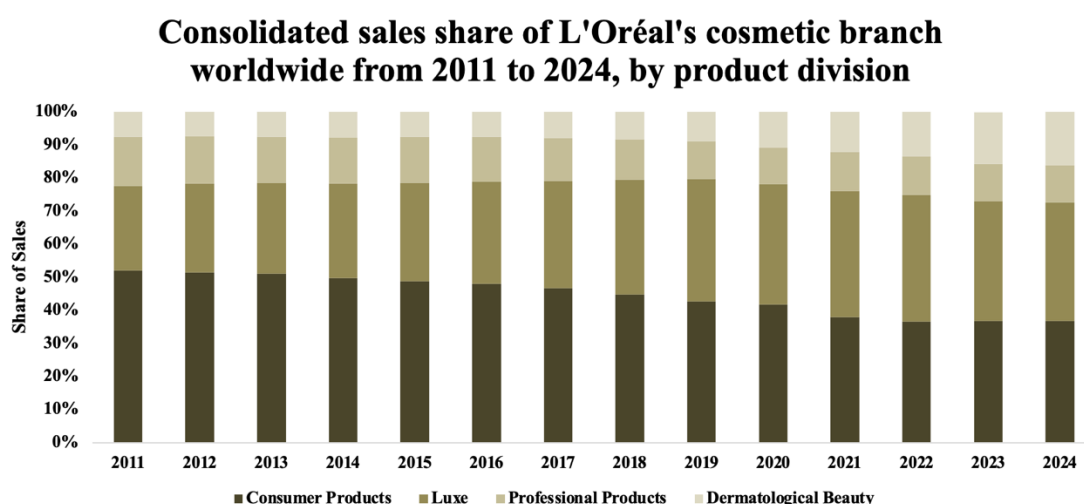
Regarding the revenue of each division, the Consumer Products and L'Oréal Luxe are the ones with largest revenue. However, in terms of growth the two divisions that presented higher values were the Consumer Products and Dermatological Beauty divisions.

The Consumer Products division, accounting for 37% of the total group sales, remains a core driver for the group. This division recorded solid growth, motivated by key innovations and a strategic focus on emerging markets. The four brands reported solid growth, with L'Oréal Paris recording an outstanding performance.

The Dermatological Beauty division reported an impressive growth of 9.3%, reaching €7 billion in sales. The division reported growth in all regions, especially in emerging markets. Within this division, La Roche-Posay and CeraVe led the way, driven by the success of some of its products and international expansion.

The graph below illustrates the contribution of each of L'Oréal's divisions towards the company's total sales from 2011 to 2024, helping to visualise the major changes that have reshaped the company's business model over time.

Before analysing these changes, it is important to note that until early 2023, the division now called Dermatological Beauty operated under the name Active Cosmetics. L'Oréal updated the name to better alignment with the strategic positioning of the company. To keep the analysis consistent, the term Dermatological Beauty is used throughout the entire period shown.



Source: Statista

Figure 6 – Consolidated Sales Share of L'Oréal's Cosmetic Branch

Over the past decade, L'Oréal's portfolio has evolved in a very clear direction. The Consumer Products division, which has been the dominant division within the Group, has gradually decreased from about 52% of sales in 2011 to around 37% in 2024. This trend

reflects that the mass beauty market has not been growing as well as the rest of the industry. On the other hand, L'Oréal Luxe has expanded strongly, rising from roughly 25.5% to around 36% of total sales, supported by the global boom in premium beauty.

The Professional Products division has remained relatively stable, with the business maintaining around 11% of sales over the years due to its robust position in salon haircare. In contrast, Dermatological Beauty experienced the most impressive transformation, with the segment more than doubling its share, from 7.5% to over 16%, driven by the global boom in science-driven skincare and the standout success of brands like CeraVe and La Roche-Posay.

From a regional perspective, Europe and North America together accounted for more than 50% of the Group's total revenue. In terms of growth, Latin America reported 13.3% of growth, led by Mexico and Brazil, where the Consumer Products division reported exceptional growth. The second region that reported higher growth was SAPMENA-SSA with 12%, mainly driven by the mix of price and volume. Within this region, the countries that stand out are Australia-New Zealand cluster, Thailand, Saudi Arabia, Vietnam and India, where the Dermatological Beauty division achieved particularly strong growth.

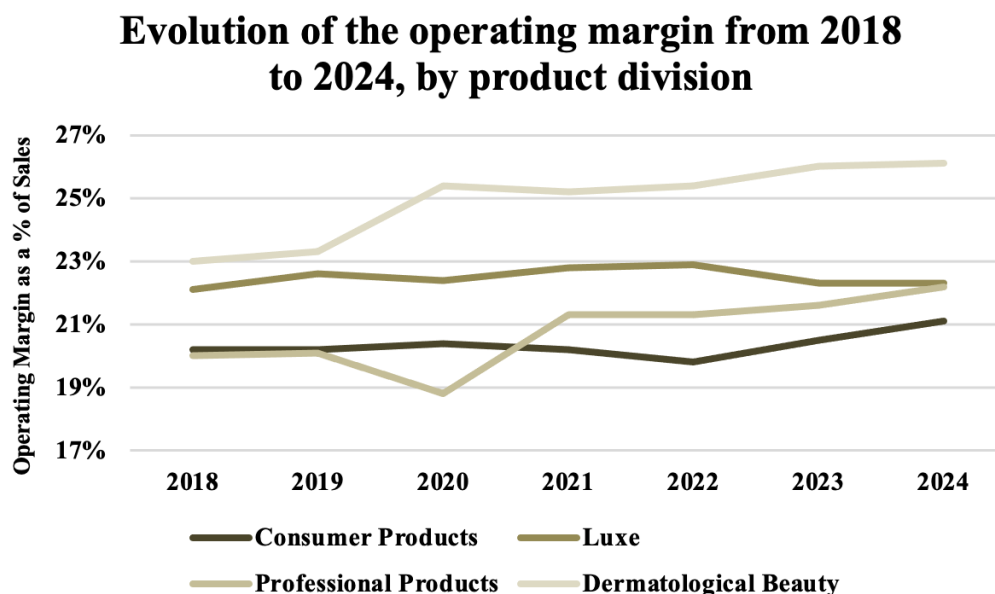
In addition, e-commerce remained a key growth driver, contributing significantly to the group's sales growth, particularly in emerging markets and among younger consumers. The company's increasing focus on Beauty Tech, including AI-driven personalization and virtual try-on tools, also enhanced customer engagement and helped drive profitability.

Operating and key Financial Metrics

In 2024, L'Oréal recorded an operating profit of €8,688 million, representing an operating margin of 20%, slightly above the previous year's 19.8%.

Breaking down the operating profit by operational division, the Dermatological Beauty division was the most profitable, with an operating margin of 26.1%, followed by L'Oréal Luxe with 22.3%, then Professional Products with 22.2% and Consumer Products with 21.1%. These figures highlight the group's balanced portfolio and its success in maintaining profitability across different market segments and price tiers.

The graph below presents the evolution of operating margins by division between 2018 and 2024, offering a clear view of how profitability has developed across L'Oréal's divisions.



Source: Statista

Figure 7 – Evolution of the Operating Margin, by product division

The evolution of operating margins reveals distinct profitability profiles across L'Oréal's divisions. Dermatological Beauty has continued to show the highest profitability, reflecting the strong global momentum of science-based skincare. L'Oréal Luxe maintained robust profitability supported by its premiumisation. Professional Products has maintained stable margins over the period, while Consumer Products recorded the lowest profitability, consistent with the competitive dynamics of the mass-market segment. Overall, the trend highlights the company's growing focus on high-value divisions with high pricing power.

Regarding the net profit, the company reached approximately €6,786 millions, in 2024, reflecting solid financial health and the efficiency of its global business model. L'Oréal's consistent reinvestment in research, innovation, and digital transformation continues to reinforce its competitive advantage, while its "L'Oréal for the Future" sustainability roadmap supports long-term value creation.

L'Oréal maintained a strong balance sheet, with total assets amounting to €56,353.4 millions and an equity of €33,137.8 millions, in 2024. Earnings per share increased by approximately 4.8% from 2023, reaching a value of €12.66 supported by strong operational performance and effective cost management. The Board of Directors proposed a dividend of €7.00 per

share for 2024, marking a continued upward trend and reaffirming L'Oréal's long-term commitment to delivering consistent shareholder value. Over the past 16 years, the company's dividend has increased by a factor of 4.7, demonstrating sustained profitability and confidence in its future growth.

4.5 Recent Acquisitions

In recent years, L'Oréal has continued to strengthen its market position through a series of strategic acquisitions that expand its presence in high-growth beauty segments. These acquisitions reflect the Group's ambition to combine science, luxury, and sustainability while anticipating consumer trends across diverse markets.

In February 2025, L'Oréal signed an exclusive agreement with Jacquemus, to develop future lines of makeup and fragrances. This collaboration highlights the Group's effort to engage younger, fashion-conscious audiences while merging creative artistry with innovation in beauty.

In early June 2025, L'Oréal announced the acquisition of a majority stake in Medik8, a British skincare brand renowned for its science-based formulations and commitment to sustainability. This acquisition further strengthens L'Oréal's Luxe portfolio, adding a premium, science-backed skincare brand with a proven track record of success and strong potential for international expansion. Medik8's focus on effective, sustainable skincare aligns perfectly with L'Oréal's long-term strategy of developing high-performance products supported by scientific innovation.

Later that month, L'Oréal announced the acquisition of Color Wow, a U.S. based professional haircare brand known for its high-performance and premium formulations designed to protect colour-treated hair, reduce frizz, and enhance shine. This acquisition enables L'Oréal to tap into the rapidly growing premium haircare market, reinforcing its Professional Products division and expanding its footprint across salon and digital distribution channels.

In October 2025, L'Oréal signed an agreement valued in approximately €4 billion to acquire the beauty division of Kering, which includes the iconic fragrance house Creed and long-

term licensing rights for prestigious brands such as Gucci, Bottega Veneta, and Balenciaga. This acquisition marks a pivotal moment for L'Oréal Luxe, strengthening its presence in the ultra-premium fragrance and couture beauty categories.

Together, these acquisitions reflect L'Oréal's dynamic strategy to diversify its portfolio, reinforce its leadership in premium and science-based beauty, and expand across emerging and high-growth markets. By integrating innovative, authentic, and sustainable brands, L'Oréal continues to consolidate its position as the world leader in beauty.

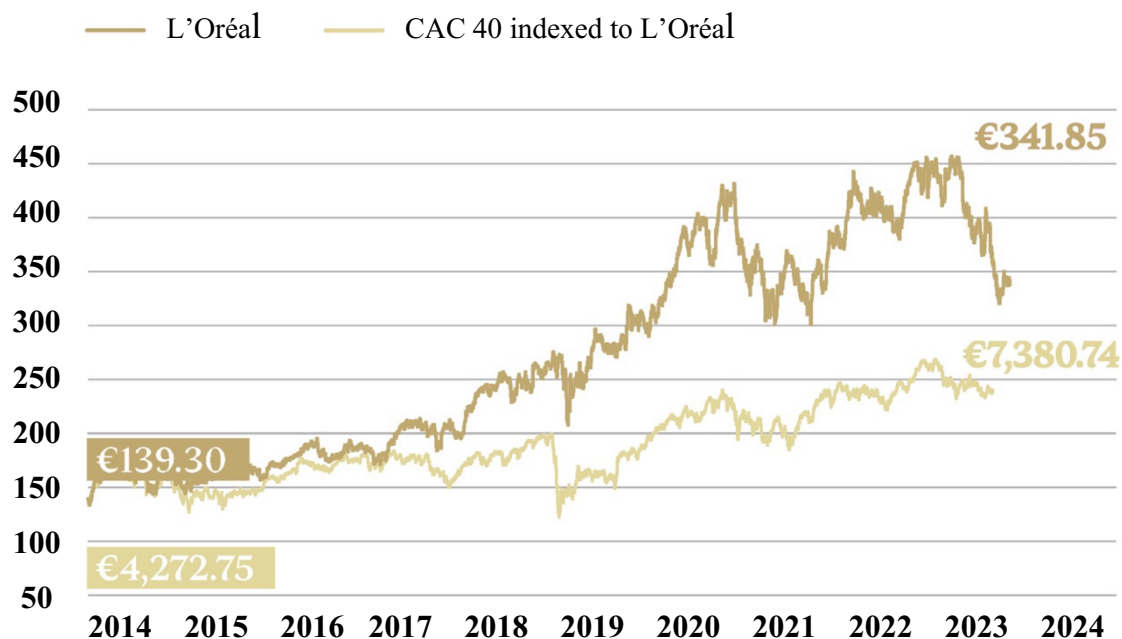
4.6 Stock Price Performance

L'Oréal's share price has exhibited a strong upward trajectory significantly outperforming the CAC 40 Index, over the last years. From 2015 to 2024, L'Oréal's share prices had increased from approximately €155 to €342, reflecting the company's consistent operational performance, strong brand portfolio and resilient business model.

Despite this long-term outperformance, the share price experienced increased volatility in 2024, with a decline of 24.1% over the year. Over the same period, the CAC 40 declined by 2.2%, highlighting the magnitude of the adjustment in L'Oréal's share price.

In terms of market positioning, L'Oréal remains one of the largest constituents of the French equity market, with a market capitalization of €182.7 billions as of 31st December 2024 and a significant weight in major European indices. This underlines the company's relevance to institutional investors and its high level of market liquidity.

Change in the L'Oréal Share Price compared to the CAC 40 Index (from 31 December 2014 to 31 December 2024)



Source: L'Oréal Annual Report

Figure 8 – Change in L'Oréal Share Price

5. Chosen Valuation Models

The primary valuation method used was the Discounted Cash Flow Model using Free Cash Flow to the Firm. The chosen model allows for explicit modelling of revenues, operating margins, capital structure and long-term growth assumptions.

To complement the DCF results, a relative valuation was conducted using EV/EBIT, EV/EBITDA and P/E multiples applied to a selected peer group. This approach incorporates market sentiment and provides a useful benchmark to assess whether the DCF valuation is aligned with the observable market pricing.

Furthermore, a sensitivity analysis and a Monte Carlo simulation were performed to evaluate the impact of variation in key inputs on the Enterprise Value.

All financial data was gathered until the 31st of December 2025. Unless otherwise stated, all values are reported in euro millions.

6. Financial Forecast

In order to construct a valuation based on the DCF Model, the first step was to complete the company's FY2025 financials by forecasting the last quarter of the fiscal year. Then, FY2026 to FY2030 were also forecasted.

6.1 Revenue Forecast FY2025

Revenues were forecasted separately for each one of L'Oréal's four divisions, rather than applying a single growth rate to the entire company. This approach reflects the fact that each division is driven by different market dynamics, since some are mature and grow more steadily, while others benefit from stronger structural trends such as premiumisation and science-based skincare.

To complete the revenue for FY2025, only the fourth quarter required estimation, as actual revenues of the first three quarters were already available at the time of this analysis. Revenues of Q4 FY2025 were therefore forecasted based on the historical growth between Q4 of FY2023 and Q4 of FY2024.

	Q4 2023	FY2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025E	2025E
Consumer Products												
Revenue	€3,714.40	€15,172.70	€4,172.80	€4,149.40	€3,748.00	€3,912.20	€15,982.40	€4,278.70	€4,134.30	€3,763.40	€4,120.53	€16,296.93
% Change						5.33%	5.34%	2.54%	-0.36%	0.41%	5.33%	1.97%
Dermatological Beauty												
Revenue	€1,521.50	€6,432.00	€2,015.90	€1,777.20	€1,599.90	€1,634.20	€7,027.20	€2,086.10	€1,769.80	€1,617.60	€1,755.25	€7,228.75
% Change						7.41%	9.25%	3.48%	-0.42%	1.11%	7.41%	2.87%
L'Oréal Luxe												
Revenue	€4,139.10	€14,924.00	€3,813.00	€3,765.80	€3,774.60	€4,237.70	€15,591.10	€4,092.80	€3,565.10	€3,719.70	€4,338.65	€15,716.25
% Change						2.38%	4.47%	7.34%	-5.33%	-1.45%	2.38%	0.80%
Professional Products												
Revenue	€1,230.40	€4,653.90	€1,243.30	€1,183.40	€1,162.50	€1,297.00	€4,886.20	€1,277.20	€1,269.40	€1,233.00	€1,367.20	€5,146.80
% Change						5.41%	4.99%	2.73%	7.27%	6.06%	5.41%	5.33%
TOTAL												
Revenue	€10,605.40	€41,182.60	€11,245.00	€10,875.80	€10,285.00	€11,081.10	€43,486.90	€11,734.80	€10,738.60	€10,333.70	€11,581.63	€44,388.73
% Change							5.60%					2.07%

Figure 9 – Revenue Forecast per Division for FY2025

6.2 Revenue Forecast FY2026 – FY2030

Following the same approach applied in FY2025, revenues were forecasted separately for each one of L'Oréal four divisions for the period between FY2026 and FY2030.

Growth assumptions were based on a combination of historical performance, structural industry trends such as premiumisation and science-based skincare, and the expected gradual convergence towards a sustainable long-term growth rate.

Consumer Products

Historically, the Consumer Products division has not shown any consistent growth pattern that could be reliably extrapolated to the forecasting period between FY2026 and FY2030. This way, a conservative approach was adopted.

For FY2025, the estimated revenue growth was approximately 2%, reflecting the completion of the fiscal year with only the fourth quarter requiring estimation. Given the moderate level of growth presented and the mature profile of this division, it was assumed a 2% growth for FY2026 to FY2028. In line with recent trends, the relative weight of this division within total group sales is expected to continue declining over the forecast period.

To ensure convergence towards a feasible long-term growth rate, a gradual deceleration was incorporated into the forecast. Specifically, the growth rate was reduced by 0.5pp in FY2029 and by an additional 0.5pp in FY2030, resulting in a terminal-year growth rate of 1%.

Dermatological Beauty

Dermatological Beauty is expected to remain L'Oréal's main growth engine over the forecast period. The division benefits from strong long-term trends, such as the global shift towards science-based skincare, greater awareness of skin health, and increasing demand for dermatologist-recommended products. Consistent with this, in June 2025 L'Oréal acquired a new skin care brand, that is estimated to have a positive impact on sales.

For the FY2025, the estimated revenue growth of this division was approximately 2.9%. For the period between FY2026 and FY2028, the revenue growth rate was assumed to be 3%, corresponding to a 0.1pp increase from the previous year.

For FY2029, a deceleration in growth was incorporated and it was reflected in a 0.5pp decrease, and in FY2030 an additional 0.5pp decrease. This resulted in a terminal growth rate of 2%, which is indicating a tendency towards a more sustainable terminal growth rate.

Historically, it was observed that the division is gradually increasing its weight over total sales. According with what was observed over last years, between FY2025 and FY2030 the division continue increasing its relative weight within total sales.

L'Oréal Luxe

L'Oréal Luxe division represents one of the group's core value drivers, benefiting from strong brand equity, premium positioning and sustained pricing power. The demand in this segment is supported by premiumisation trends and consumers' willingness to trade up for higher value beauty products.

Historically, the revenues growth rates of the division have not shown a consistent trend. In the FY2025, the growth rate was 0.8%, however this figure should not be interpreted as a proxy for the division's growth rate over the next years. An assessment of the last years indicates that L'Oréal Luxe has outperformed the Consumer Products division, however it has underperformed Dermatological Beauty division. Beyond that, later in 2025 L'Oréal acquired a new brand, which is estimated to contribute to the revenues' growth.

Based on this, the growth rate assumed for FY2026 to FY2028 was 2.5%, followed by a gradual convergence towards a sustainable long-term growth. This way, in FY2029 and FY2030 a deceleration of 0.5pp was assumed, resulting in a terminal-year growth rate of 1.5%

Professional Products

Professional Products division is inherently more exposed to short-term economic cycles, given its reliance on professional salons and B2B distribution channels. In FY2025, the revenue growth observed was 5.3%, however it is not a sustainable growth to move forward.

For the period between FY2026 and FY2028, a 3% growth was assumed, reflecting a gradual normalization of demand and continue brand strength within professional channels. This outlook is further supported by the recent acquisition of a professional hair care brand, which is expected to reinforce L'Oréal's positioning.

Thereafter, growth was assumed to moderate, with a reduction of 0.5pp in FY2029 and a further 0.5pp in FY2030, resulting in a terminal-year growth rate of 2%.

6.3 Operating and Non-Operating Income Statement Forecast FY2025 – FY2030

Costs Forecast

For the cost of sales, a percentage of sales approach was used. Over the last years, the Cost-of-sales-to-Sales ratio has shown a gradual declining trend, reflecting structural continuous improvement in gross margin. This improvement is supported by premiumisation, pricing power and an increasing contribution from higher-margin divisions such as Dermatological Beauty and L'Oréal Luxe. Although, short-term fluctuations were observed, specifically in FY2022, the long-term trend shows gradual margin expansion. Given the company's innovation intensity and product mix evolution, a conservative annual reduction on the Cost-of-sales-to-Sales ratio of 0.1pp was assumed every year thereafter, reaching 25.2% in FY2030.

For the other operating costs forecasts, a percentage of sales approach was also used, and a historical average was assumed.

Research and Innovation expenses over the last four years averaged at 3.1% of sales, in line with L'Oréal's consistent commitment to innovation and its historical stable and intense investment. Given the stability of this ratio, since in the two last years it remained unchanged, no adjustments were made and the 3.1% was assumed between FY2025 and FY2030.

Advertising and Promotion averaged 32.2% of sales over the last four years, without showing any consistent pattern of growing or declining. This reflects the strong commitment of the company to brand recognition and competition as a competitive advantage. Accordingly, this ratio was assumed to remain at the same level between FY2025 and FY2030.

Selling, General and Administrative averaged 18.6% of sales over the same period, without showing any consistent pattern. This reflects efficient cost management including reorganization and restructuring measures in several regions. Therefore, this ratio was assumed to remain unchanged between FY2025 and FY2030.

EBIT Margin

Based on the revenue forecast and the operating cost assumptions mentioned above, the resulting EBIT Margin for FY2025 was estimated at 20.4%, representing an increase of 0.4pp compared to the previous year. Between FY2026 and FY2030, it presents an increase of 0.1pp from one year to another.

Financing Income and Expenses

For FY2025, Interest Income and Interest Expenses were annualised based on the reported figures in H1, assuming that the H2 of the year would follow a similar pattern. For FY2026 onwards, were assumed to remain unchanged from FY2025 levels.

Non-Interest Financial Income for FY2025 was assumed to remain at the same level of H1 FY2025 reported values, as it was observed over the last years that the annual values do not have a significant variation from the H1 reported figures. Other Income for FY2025 was assumed to remain at the same level of the H1 reported values, since this item has historically shown that it is not consistent from year-to-year. Between FY2026 and FY2030, were assumed to remain at the same levels observed in FY2025.

The approach used from FY2026 onwards, reflects a normalized financing structure, in which no significant changes in debt levels, interest rate exposure or capital structure are expected over the forecast horizon. Moreover, as this valuation is conducted using the FCFF approach, financing income and expenses are not considered core drivers of the enterprise value.

Tax Rate

The corporate effective tax rate was computed by using *Equation 18*, which combines Earnings Before Taxes and Taxes paid.

$$Taxes = t_c * EBT$$

Equation 18 – Corporate Tax Rate

The corporate tax rate used between FY2025 and FY2030 was assumed to be equal to the average effective tax rate over the last five years. This average smooth year-to-year volatility and reduces the influence of temporary effects.

Equity in Earnings/Loss of Affiliates

For FY2025, Equity in Earnings of Affiliates was assumed to be equal to the values reported in the H1 of FY2025, given that it has historically shown no consistency from year-to-year. From FY2026 onwards, was assumed to remain unchanged from the FY2025 levels.

Minority Interest

Minority Interest were forecasted based on a percentage of net income approach. Historically, it has shown a stable ratio of 0.1%, which was assumed to remain the same between FY2025 and FY2030.

Income Available to Common Shares

As a result from all the above assumptions explained, the Income Available to Common Shares is derived. Therefore, it is not forecasted independently.

From FY2024 to FY2025, it has shown an increase of 1.8pp. From FY2026 to FY2028 it has growth at approximately 3%. In FY2029, a relatively low increase was observed of 2.5% and in FY2030 it presented a 2% growth.

The gradual deceleration in growth rates and the stabilization of operating margins suggest a convergence towards a mature operating profile, supporting the use of a terminal value from FY2030 onwards.

7. Free Cash Flow Inputs

7.1 Free Cash Flow to the Firm

To forecast FCFF, *Equation 3* mentioned in *Section 2.1.1* was used. FCFF was calculated as EBIT after taxes plus D&A, as these represent non-cash charges related to asset usage, minus the change in net working capital, composed by inventories, receivables and payables, and capital expenditures, related to investment.

7.1.1 EBIT

Earnings before Interests and Taxes represents L'Oréal's operating profitability before financing and tax effects. Therefore, it reflects the amount available to be given to shareholders and debtholders. Over the historical period, EBIT has shown an upward trajectory, supported by revenue growth.

For forecasting purposes, EBIT was derived from the projected sales, cost of sales and operating expenses. By analysing EBIT as a percentage of sales allows for a clearer assessment of operating efficiency over time. The illustration of both EBIT and EBIT margins over the projected horizon are illustrated in *Figure 10*.

	2025E	2026E	2027E	2028E	2029E	2030E
Earnings Before Interests and Taxes (EBIT)	€9,056.30	€9,324.18	€9,599.91	€9,883.71	€10,126.16	€10,323.60
% Sales	20.40%	20.50%	20.60%	20.70%	20.80%	20.90%

Figure 10 – EBIT Forecast FY2025-FY2030

7.1.2 D&A

To forecast D&A, a depreciation rate was computed. The formula to compute that depreciation rate is the following.

$$DR = \frac{\text{Depreciation \& Amortization}_t}{\text{Gross PPE}_{t-1}}$$

Equation 19 – Depreciation Rate

Therefore, it is necessary to forecast Gross PPE and the formula used to compute this item is described below. Also, the formula requires CapEx as input and details about the forecasting of that item are discussed later.

$$Gross\ PPE_t \approx Gross\ PPE_{t-1} + CapEx_t$$

Equation 20 – Gross PPE

Finally, to achieve the D&A levels, the following formula is applied.

$$D\&A_{t+1} = Average\ DR * Gross\ PPE_t$$

Equation 21 – Depreciation & Amortization

For the average depreciation rate, the last three years were used. The achieved results are shown in *Figure 11*.

	2025E	2026E	2027E	2028E	2029E	2030E
Gross PPE	€14,958.67	€16,569.04	€18,218.99	€19,909.50	€21,633.16	€23,382.02
CapEx	€1,571.77	€1,610.37	€1,649.94	€1,690.52	€1,723.66	€1,748.86
DR	12.54%	12.54%	12.54%	12.54%	12.54%	12.54%
D&A	€1,876.06	€2,078.03	€2,284.96	€2,496.97	€2,713.15	€2,932.48

Figure 11 – D&A Forecast FY2025-FY2030

7.1.3 NWC

The net working capital components were forecasted based on the estimated sales and cost of sales. The following formulas were then used.

$$DSO = \frac{Account\ Receivables_t}{Sales_t} * 360$$

Equation 22 – Days Sales Outstanding

$$DIO = \frac{Inventories_t}{Cost\ of\ Sales_t} * 360$$

Equation 23 – Days Inventories Outstanding

$$DPO = \frac{\text{Account Payables}_t}{\text{Cost of Sales}_t} * 360$$

Equation 24 – Days Payables Outstanding

Where:

DSO = Days Sales Outstanding

DIO = Days Inventories Outstanding

DPO = Days Payables Outstanding

By applying the formulas above, the DSO, DPO and DIO of the last five years were computed and then an average of each one was used to forecast the respective NWC item from FY2025 onwards.

The forecasted figures achieved the total NWC and Change in NWC from FY2025 to FY2030 are illustrated below.

	2025E	2026E	2027E	2028E	2029E	2030E
Receivables	€5,564.09	€5,700.74	€5,840.83	€5,984.45	€6,101.78	€6,190.99
DSO	45	45	45	45	45	45
Inventories	€4,438.03	€4,529.33	€4,622.50	€4,717.59	€4,791.14	€4,841.98
DIO	140	140	140	140	140	140
Payables	€7,113.16	€7,259.49	€7,408.83	€7,561.24	€7,679.13	€7,760.60
DPO	224	224	224	224	224	224
NWC	€2,888.96	€2,970.57	€3,054.50	€3,140.80	€3,213.79	€3,272.36
Change in NWC	-€874.44	€81.61	€83.93	€86.30	€72.99	€58.57

Figure 12 – NWC Forecast FY2025-FY2030

Additional to the traditional NWC, several adjustments regarding current taxes, other current assets and liabilities and current provisions were made. Other current assets include advances and downpayments on purchase orders. On the other hand, other current liabilities include payables. For the provisions, only the product returns values were used, since the other components were not considered as operating.

The forecasting of each one of these items for each year of the forecasting horizon was made based on the last five-year moving average.

	2025E	2026E	2027E	2028E	2029E	2030E
Current Tax Assets	€194.04	€185.97	€195.92	€200.33	€202.07	€195.67
Other Current Assets	€604.18	€634.66	€610.79	€594.90	€605.97	€610.10
Current Tax Liabilities	€246.28	€252.52	€249.24	€246.25	€253.88	€249.63
Other Current Liabilities	€402.20	€397.78	€397.52	€398.72	€394.32	€398.11
Provisions for Product Returns	€359.36	€360.75	€351.72	€343.01	€343.97	€351.76
Othes Total	-€209.62	-€190.42	-€191.77	-€192.74	-€184.13	-€193.74
Change in Others	-€73.52	€19.20	-€1.34	-€0.97	€8.61	-€9.61

Figure 13 – Others Forecast FY2025-FY2030

7.1.4 CapEx

Capital Expenditures have shown a certain degree of volatility over time. Between FY2015 and FY2019, CapEx fluctuated significantly from year to year, reflecting the differences in investment intensity. More recently, from FY2020 to FY2024, CapEx have shown a more stable and increasing tendency, suggesting a more consistent investment policy aligned with the company's strategic priorities.

Capital Expenditures were analysed as a percentage of sales since it is based on the investments made by the company. Based on this, it is possible to observe that from FY2015 to FY2019 it has represented around 4% and 5% of L'Oréal sales and from FY2020 to FY2024 this ratio has stabilized at around 3.5%.

Based on this observation, Capital Expenditures were forecasted as a stable percentage of sales, based on the average observed in the last five years of 3.5%. The table below illustrates the projections between FY2025 and FY2030.

	2025E	2026E	2027E	2028E	2029E	2030E
CapEx	€1,571.77	€1,610.37	€1,649.94	€1,690.52	€1,723.66	€1,748.86
% Sales	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%

Figure 14 – CapEx Forecast FY2025-FY2030

8. DCF Valuation

8.1 Weighted Average Cost of Capital

To estimate L'Oréal's Weighted Average Cost of Capital, it is necessary to determine the cost of its two financing components: equity and debt.

Cost of Equity

The cost of equity was estimated using the CAPM, as presented in *Equation 9*. The Risk-Free Rate was proxied by the German 10-year Government Benchmark Bond Yield, retrieved monthly from DataStream, which is commonly used as the reference risk-free rate for euro-denominated valuations.

To estimate the beta for L'Oréal, monthly returns were calculated. To calculate those returns, the end-of-month prices of L'Oreal and CAC 40 Index over the last ten years were retrieved, from Refinitiv Eikon. The CAC 40 Index was used as a proxy of the market portfolio, given that L'Oréal is listed on Euronext Paris. The index captures the performance of the largest and most liquid French listed companies and therefore constitutes a relevant benchmark for estimating L'Oréal systematic risk within its domestic equity market.

Beta was computed as the ratio between the covariance of L'Oréal's returns and market's returns and the variance of market returns, as presented in *Equation 10*. To mitigate sensitivity to the estimation window, several beta estimates were calculated, as presented in *Figure 15*.

Beta Estimates	
3 Years	0.98
5 Years	0.99
7 Years	0.73
10 Years	0.69

Figure 15 – Beta Estimates

To smooth short-term volatility the seven-year beta was used as the raw beta. A seven-year historical window was selected in order to balance statistical robustness and economic

relevance. A short estimation period of three years may lead to results affected by temporary market conditions, while the longer period of ten years can influence results to reflect a reality that no longer applies to the company. The five-year estimation window was not selected since it just incorporates post-Covid data.

Then, by applying the approach of Blume (1979), an adjusted beta was estimated (*Figure 16*).

Adjusting Beta	
Raw Beta	0.73
<i>Weight</i>	<i>0.67</i>
Market Beta	1.00
<i>Weight</i>	<i>0.33</i>
Adjusted Beta	0.82

Figure 16 – Adjusted Beta

For the expected return of the market, an average the last seven years returns of CAC 40 Index was used. The choice of the horizon of seven years was to remain consistent with the beta estimation window.

Based on these inputs, L'Oréal's cost of equity was estimated at 6.84%.

Cost of Equity	
Adjusted β	0.82
r_f	2.87%
MRP	4.84%
$E(r_m)$	7.71%
K_e	6.84%

Figure 17 – Cost of Equity

Cost of Debt

To estimate L'Oréal's cost of debt, the weighted average yield of its publicly traded bonds with various maturities was used as a proxy. L'Oréal has bonds available with maturities varying from 2026 to 2036.

Most of these debt instruments were issued in France, except for one issued in the United States. This exception is valued in USD and to convert it to EUR, the EUR/USD spot

exchange rate was used. This spot rate was retrieved from Refinitiv Eikon on 22nd December 2025 as well as all data related to bonds, to ensure consistency across all debt instruments. Moreover, the incorporated credit spread was calculated by subtracting the corresponding US 10-year Treasury Yield from the observed YTM. This spread was then added to the 10-year German Government Bond Yield, resulting in an adjusted EUR consistent yield.

Finally, for each bond, a market-value-weighted yield was computed between the euro adjusted yield and the outstanding amount. Based on this method, the estimated pre-tax cost of debt is approximately 2.54%.

Market Value of Debt	Cost of Debt	Tax Rate	After-Tax Cost of Debt
€9,471,471,916.27	2.54%	24.14%	1.92%

Figure 18 – Cost of Debt

In order to calculate the weights of equity and debt, the market value of each one was determined. The market value of equity is assumed to be equal to the multiplication of the outstanding number of shares by its share price as of 29th December 2025. The market value of debt was assumed to be equal to the sum of the market value of bonds, as of 22nd December 2025, and the book value of loans and leases, used as a proxy for market values, based on the H1 FY2025 reported figures.

Net debt was computed as the difference between gross debt and excess cash. A historical analysis of operating cash over the last four years indicates that the company maintained approximately €2,500 million in operating cash. Based on this observation, the historical average of operating cash was used to estimate the corresponding amount of excess cash for FY2025, using the reported figures for the H1 of FY2025 of cash and cash equivalents. Given this, approximately €2,200 million corresponds to the amount of excess cash in FY2025.

The capital structure of L'Oréal was assumed to remain stable over the forecast horizon. Although, the Market Value of Net Debt increased significantly between 2022 and 2023, especially due to additional bond issuances, the Debt-to-Equity ratio stabilised in 2024 and 2025 at approximately 8.2%. This pattern suggests that the recent increase in leverage represents a financing adjustment. Given L'Oréal's traditionally conservative financial

management and strong credit profile, the current leverage level is considered sustainable and is therefore assumed to remain unchanged.

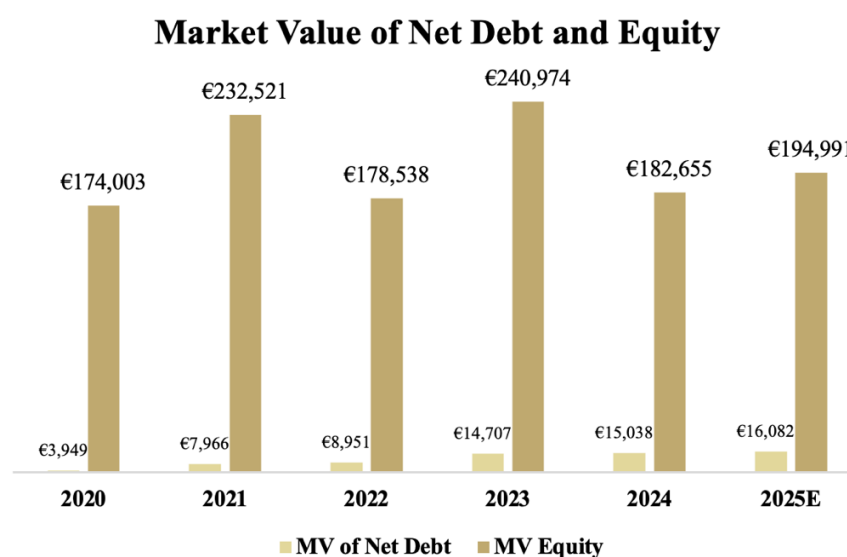


Figure 19 – Market Value of Net Debt and Equity

The effective corporate tax rate used in the WACC was an average of the last 5 years to smooth annual fluctuations, corresponding to 24.14%.

Finally, the WACC was estimated using *Equation 8*, by using all the values mentioned above as inputs. In *Figure 20*, are presented all the inputs necessary to substitute in the WACC's formula. L'Oréal's WACC was estimated at 6.47%, which is subsequently used as the discount rate in the discount cash flow valuation.

WACC	
Capital Structure	
Market Value of Net Debt	€16,081.8
Market Value of Equity	€194,990.9
Debt/Debt+Equity	7.6%
Equity/Debt+Equity	92.4%
Target D/E	8.25%
Cost of Debt	
After-Tax Cost of Debt	1.92%
Cost of Equity	
Cost of Equity	6.84%
WACC	6.47%

Figure 20 – Weighted Average Cost of Capital

8.2 Free Cash Flow to the Firm

The FCFF projections are directly derived from the operating forecasts discussed in the previous sections.

The table below represents the evolution of L'Oréal's FCFF from FY2025 to FY2030. These forecasted FCFF values constitute the basis for the discounted cash flow valuation, as they represent the cash flows discounted at the WACC in the subsequent valuation stage.

	2025E	2026E	2027E	2028E	2029E	2030E
EBIT*(1-t)	€6,869.85	€7,073.06	€7,282.22	€7,497.50	€7,681.42	€7,831.19
D&A	€1,876.06	€2,078.03	€2,284.96	€2,496.97	€2,713.15	€2,932.48
Change in NWC	-€874.44	€81.61	€83.93	€86.30	€72.99	€58.57
Change in Others	-€73.52	€19.20	-€1.34	-€0.97	€8.61	-€9.61
CapEx	€1,571.77	€1,610.37	€1,649.94	€1,690.52	€1,723.66	€1,748.86
FCFF	€8,122.10	€7,439.91	€7,834.65	€8,218.63	€8,589.31	€8,965.85
% Change	37.10%	-8.40%	5.31%	4.90%	4.51%	4.38%

Figure 21 – Forecasted Free Cash Flow to the Firm

8.3 Terminal Value

The terminal value represents the firm's value beyond the explicit forecast period and is derived from the FCFF in FY2030 and terminal growth rate. Given the high sensitivity of the valuation to this parameter, the terminal growth rate must reflect a realistic and economically sustainable steady-state scenario.

Although long-term growth can theoretically be derived from the relationship between return on invested capital and reinvestment rate, this approach requires a fully specified operating balance sheet and a stable reinvestment pattern in the terminal year. In this valuation, this theoretical approach will not be applied. For this reason, the terminal growth rate was treated as an exogenous assumption, aligned with long-term macroeconomic growth and the maturity of the beauty industry.

To achieve a reasonable terminal value growth rate, a combination of the inflation rate and a conservative real growth was used. Inflation was assumed at 2%, consistent with Central

Bank targets and a conservative real growth rate of 0.5% was incorporated, reflecting residual growth in steady state driven by innovation and pricing power. This way, the resulting long term growth rate was estimated at 2.5%. Furthermore, the terminal growth rate of 2.5% adopted in this thesis is consistent with the assumptions disclosed in the 2024 Annual Report. L'Oréal applies a 2.5% long-term growth rate when performing impairment tests and brand valuations. Therefore, the terminal growth rate applied in this thesis is consistent and reasonable.

The PV of the Terminal Value was then achieved by incorporating the terminal growth rate and the WACC. The Enterprise Value resulted from summing the PV of the FCFF and the PV of the TV.

	2026E	2027E	2028E	2029E	2030E
PV FCFF	€6,987.86	€6,911.50	€6,809.71	€6,684.42	€6,553.51
PV TV	€169,240.91				
Enterprise Value	€203,187.91				

Figure 22 – DCF Model: Implied Enterprise Value

8.4 Sensitivity Analysis

A sensitivity analysis was performed to evaluate the impact of the two key inputs on the DCF Model. Given the high contribution of the Terminal Value to the Enterprise Value, a sensitivity analysis for the WACC and terminal growth rate was made. The analysis evaluates the implied Enterprise Value under several combinations of WACC, ranging from 5.97% to 6.97%, and terminal growth rates, between 2% and 3%, using 0.25pp increments.

		Terminal Growth Rate				
		2.00%	2.25%	2.50%	2.75%	3.00%
WACC	5.97%	€206,851.56	€218,893.16	€232,670.32	€248,587.38	€267,184.90
	6.22%	€194,494.15	€205,009.15	€216,937.79	€230,585.69	€246,353.44
	6.47%	€183,520.15	€192,771.33	€203,187.91	€215,004.90	€228,525.08
	6.72%	€173,709.68	€181,903.44	€191,068.24	€201,387.55	€213,094.20
	6.97%	€164,887.11	€172,187.75	€180,305.18	€189,384.60	€199,607.78

Figure 23 – Enterprise Value: Sensitivity Analysis WACC vs Terminal Growth Rate

		Terminal Growth Rate				
		2.00%	2.25%	2.50%	2.75%	3.00%
WACC	5.97%	€357.93	€380.52	€406.37	€436.24	€471.13
	6.22%	€334.74	€354.47	€376.85	€402.46	€432.05
	6.47%	€314.15	€331.51	€351.06	€373.23	€398.60
	6.72%	€295.75	€311.12	€328.32	€347.68	€369.64
	6.97%	€279.19	€292.89	€308.12	€325.16	€344.34

Figure 24 – Share Price: Sensitivity Analysis WACC vs Terminal Growth Rate

8.5 Monte Carlo Simulation

Furthermore, a Monte Carlo Simulation was also conducted to assess the impact of key parameters, namely D/E, beta, terminal growth rate and WACC in the Enterprise Value. By repeatedly simulating these parameters and recalculating the Enterprise Value for each iteration, a distribution of implied share prices was obtained, allowing for a statistic analysis. The model was run over 10,000 iterations and the results obtained are presented in Figure 25.

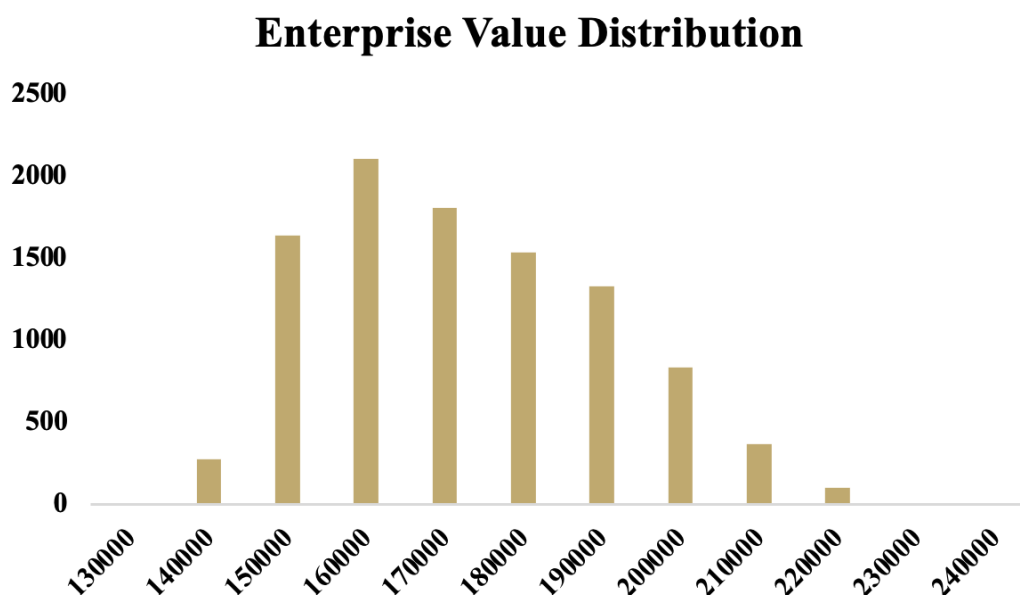


Figure 25 – Enterprise Value Distribution

9. Relative Valuation

In addition to the DCF approach, a relative valuation was performed to complement the analysis. This method captures market sentiment reflected in the valuations of peer companies. The peer group of L'Oréal was selected based on similarity in growth prospects, cash flow generation and risk profile, prioritising companies with strong focus on branded beauty and personal care products.

The selected peer group includes Estée Lauder, Beiersdorf, Colgate-Palmolive and Procter & Gamble, reflecting companies with comparable exposure to branded beauty and personal care products, similar operating profitability and global presence. While some peers operate within broader consumer goods segments, they share key characteristics such as strong brand portfolios, pricing power and stable cash flow generation.

Although Estée Lauder exhibits higher short-term volatility and different projected growth rates compared to L'Oréal, it was retained in the peer group due to its structural similarity in business model and strategic positioning. Both L'Oréal and Estée Lauder operate as global leaders in the beauty industry, with strong brand portfolios, premium pricing strategies and significant exposure to skincare and cosmetics. Therefore, its inclusion enhances the economic comparability of the peer group despite temporary performance divergence.

Company	Revenues 2025E	Revenue CAGR (2025E-2027E)	EBIT Margin 2025E	EBIT Margin 5-year volatility
L'Oréal	€44,388.73	2.46%	20.40%	0.58%
Estée Lauder	€12,640.73	4.75%	8.82%	4.38%
Beiersdorf	€9,851.79	3.95%	13.96%	1.32%
Colgate-Palmolive	€17,654.86	3.43%	21.27%	1.36%
Procter & Gamble	€73,631.18	3.68%	24.25%	0.79%

Figure 26 – Peer Selection

The selected valuation multiples were EV/EBIT, EV/EBITDA, and P/E ratio. Enterprise value-based multiples were retained as the primary valuation metrics, as they reflect how the market prices operating profitability regardless of the capital structure. In contrast, the P/E ratio has a direct link to shareholder returns, capturing differences in capital structure

and taxes. Mixing all these three measures provides a more comprehensive assessment, avoiding relying on a standalone model.

The current multiples for FY2025 of the selected peer group are presented in *Figure 27*. For each multiple, the mean, median, P25 and P75 were computed to capture the central tendency and dispersion of the peer distribution.

	EV/EBIT	EV/EBITDA	P/E
Estée Lauder	29.62	18.14	18.60
Beiersdorf	15.14	12.12	22.60
Colgate-Palmolive	16.69	14.64	21.99
Procter & Gamble	17.86	15.57	21.16
Mean	19.83	15.12	21.09
Median	17.28	15.11	21.58
P25	16.30	14.01	20.52
P75	20.80	16.21	22.14

Figure 27 – Peer Group Multiples and Statistics FY2025

10. Stock Price Recommendation

Given all the presented models, the implied Equity Value was calculated by subtracting Net Debt and Minority Interests to the Enterprise Value.

By dividing the implied Equity Value obtained by the number of shares outstanding, the implied Share Price was obtained.

DCF	
Implied EV	€203,187.91
Minority Interests	€7.58
Net Debt	€16,081.81
Implied Equity Value	€187,098.52
Shares Outstanding	€532.96
Share Price	€351.06

Figure 28 – DCF Model: Implied Share Price

	P25		P75	
	EV/EBIT	EV/EBITDA	EV/EBIT	EV/EBITDA
Implied EV	€147,637.58	€153,171.47	€188,381.21	€177,259.97
Minority Interests	€7.58	€7.58	€7.58	€7.58
Net Debt	€16,081.81	€16,081.81	€16,081.81	€16,081.81
Implied Equity Value	€131,548.18	€137,082.08	€172,291.81	€161,170.58
Shares Outstanding	532.96	532.96	532.96	532.96
Share Price	€246.83	€257.21	€323.27	€302.41

Figure 29 – EV-Based Multiples: Implied Share Price

	P/E	
	P25	P75
Implied Equity Value	€138,837.83	€149,815.63
Share Price	€258.99	€279.47

Figure 30 – P/E Multiple: Implied Share Price

Among the valuation approaches applied, the DCF Model was retained as the primary valuation method. While relative valuation, sensitivity analysis and Monte Carlo simulation provide useful validation through market-based and probabilistic perspectives, the DCF Model offers the most theoretically well-founded Enterprise Value.

Based on the DCF target price of €351.06 and a current market price of €366.60, the analysis incorporates a downside of 4.24%. Given the insignificant deviation from the current price, this valuation supports a Hold recommendation.

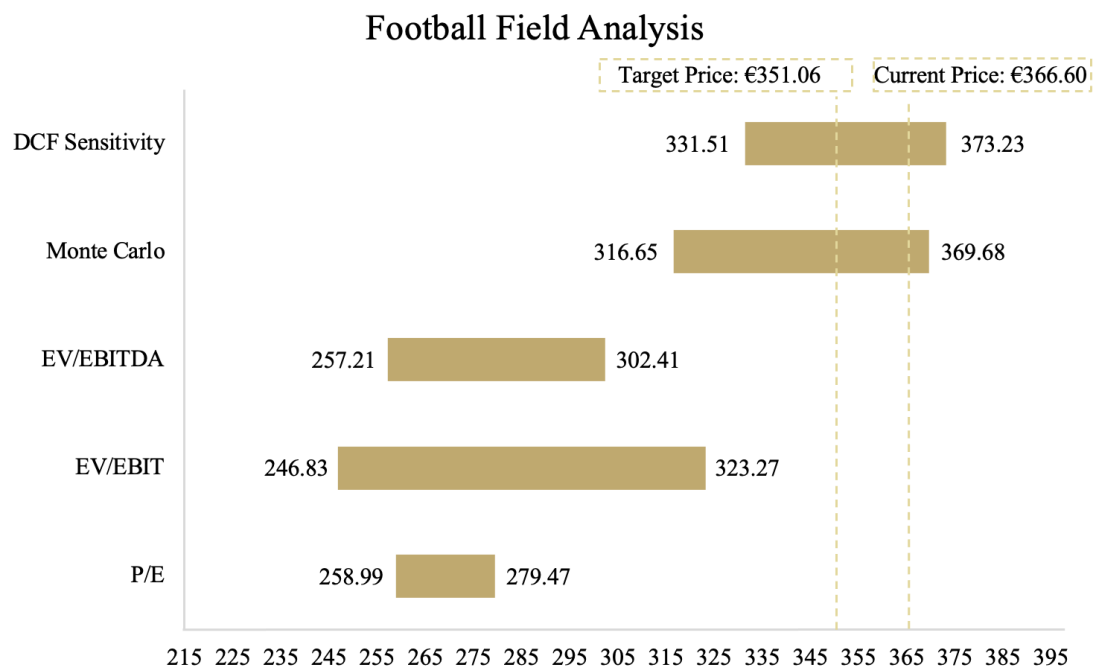


Figure 31 – Football Field Analysis

11. Comparison with the Investment Report

To evaluate the robustness of the assumptions developed on this thesis, a comparative analysis was conducted against an equity research reported published by Jefferies on 11th August 2025.

While the Jefferies report uses a ten-year DCF valuation for L'Oréal, this thesis only provides a five-year forecasting period. Consequently, the comparisons illustrated in *Figure 32* and *Figure 33* are restricted to this five-year horizon.

These two analyses diverge primarily in the sales forecast. This thesis follows a more conservative approach, whereas Jefferies projections are significantly higher, mainly driven by the Dermatological Beauty division. However, Jefferies forecast an operating margin to stabilize around 21%, which is in line with this thesis. This margin expansion is partly attributed in both cases to improved efficiency resulting in cost optimization.

Jefferies Report						
	2025E	2026E	2027E	2028E	2029E	2030E
Sales	€44,136.00	€46,064.00	€48,552.00	€51,222.00	€53,937.00	€56,634.00
% Change	1.49%	4.37%	5.40%	5.50%	5.30%	5.00%
EBIT	€8,908.00	€9,341.00	€10,087.00	€10,830.00	€11,457.00	€12,144.00
% Sales	20.2%	20.3%	20.8%	21.1%	21.2%	21.4%

Figure 32 – Equity Research Report: Projected Sales and EBIT FY2025-FY2030

Thesis						
	2025E	2026E	2027E	2028E	2029E	2030E
Sales	€44,388.73	€45,478.85	€46,596.44	€47,742.22	€48,678.21	€49,389.92
% Change	2.07%	2.46%	2.46%	2.46%	1.96%	1.46%
EBIT	€9,056.30	€9,324.18	€9,599.91	€9,883.71	€10,126.16	€10,323.60
% Sales	20.4%	20.5%	20.6%	20.7%	20.8%	20.9%

Figure 33 – Thesis: Projected Sales and EBIT FY2025-FY2030

Other significant differences emerge within the discount rate assumptions, which are crucial given the high sensitivity of DCF outputs to these inputs. Jefferies employs the US 10-Year Treasury Yield as its risk-free proxy. In contrast, this thesis uses the German 10-year Government Benchmark Bond Yield as a proxy for the risk-free rate, which results in a lower cost of equity. This combined with a lower cost of debt, results in a final WACC significantly lower than the one used by Jefferies, impacting the Enterprise Value estimates.

Terminal Value assumptions represent another significant source of variation between Jefferies and this thesis. Jefferies employs an exit multiple approach, applying a 14.6x EV/EBITDA multiple. To allow for a direct comparison, this exit multiple was converted into an implied terminal growth rate that would yield the same Enterprise Value. This calculation resulted in an implied growth rate of 5.30%, which is almost 3pp higher than the terminal growth rate used in this thesis. Despite this, by analysing the values illustrated in *Figure 34*, the Jefferies report supports a Hold recommendation.

	Jefferies Report	Thesis
Risk-Free	4.30%	2.87%
Beta	0.75	82.11%
Ke	8.80%	6.84%
After-Tax Kd	3.50%	1.92%
Target D/E	7.00%	8.25%
WACC	9.80%	6.47%
Exit Multiple	14,6x	-
Current Price	€384.35	€366.60
Target Price	€371.00	€351.06
Upside/(Downside)	-3.47%	-4.24%

Figure 34 – Final Valuation: Comparison with the Equity Research Report

12. Appendix

	FY2020	FY2021	FY2022	FY2023	FY2024
Net Sales	€27,992.10	€32,287.60	€38,260.60	€41,182.50	€43,486.80
% Change	-6.30%	15.35%	18.50%	7.64%	5.60%
Cost Of Sales	€7,532.30	€8,433.30	€10,577.40	€10,767.00	€11,227.00
% Sales	26.91%	26.12%	27.65%	26.14%	25.82%
Gross Profit	€20,459.80	€23,854.30	€27,683.20	€30,415.50	€32,259.80
Gross Margin	73.09%	73.88%	72.35%	73.86%	74.18%
Research and Innovation	€964.40	€1,024.50	€1,168.20	€1,276.90	€1,354.60
% Sales	3.45%	3.17%	3.05%	3.10%	3.11%
Advertising and Promotion	€8,647.90	€10,585.10	€11,997.50	€13,347.90	€14,008.80
% Sales	30.89%	32.78%	31.36%	32.41%	32.21%
Selling, General and Administrative	€5,638.50	€6,068.70	€6,970.10	€7,616.00	€8,208.60
% Sales	20.14%	18.80%	18.22%	18.49%	18.88%
Other Operating Expenses	€0.10	€0.10	-€0.10	€0.00	€0.00
Earnings Before Interests and Taxes (EBIT)	€5,208.90	€6,175.90	€7,547.50	€8,174.70	€8,687.80
% Sales	18.61%	19.13%	19.73%	19.85%	19.98%
Interest Expenses	€79.20	€38.00	€70.40	€226.70	€373.40
Interest Income	€19.80	€18.60	€69.80	€162.10	€148.70
Non-Interest Financial Income	€335.90	€322.50	€305.30	€340.70	€407.50
Other Non-Operating Income/Expenses	€0.00	-€0.10	-€0.10	€0.10	€0.00
Other Income - Net of Other Expenses	-€708.90	-€432.00	-€241.50	-€449.90	-€437.70
Earnings Before Taxes (EBT)	€4,776.50	€6,046.90	€7,610.60	€8,001.00	€8,432.90
% Sales	17.06%	18.73%	19.89%	19.43%	19.39%
Taxes	€1,209.80	€1,445.40	€1,899.40	€1,810.60	€2,015.10
% EBT	25.33%	23.90%	24.96%	22.63%	23.90%
Net Income After Taxes	€3,566.70	€4,601.50	€5,711.20	€6,190.40	€6,417.80
Equity in Earnings/(Loss) of Affiliates (after Taxes)	€0.90	€0.60	€1.40	€0.20	-€1.30
After-Tax Adjustments - Other - Income/(Expense)	€0.00	€0.00	€0.00	-€0.10	€0.00
Net Income	€3,567.60	€4,602.10	€5,712.60	€6,190.50	€6,416.50
% Sales	12.75%	14.25%	14.93%	15.03%	14.76%
Extraordinary Activities - after Tax - Gain/(Loss)	€0.00	€0.00	€0.00	€0.00	€0.00
Minority Interest	€4.20	€5.10	€6.00	€6.50	€7.80
% Net Income	0.12%	0.11%	0.11%	0.10%	0.12%
Earnings Adjustments to Net Income - Other Expense/(Income)	€0.00	-€0.10	€0.00	€0.00	€0.00
Income Available to Common Shares	€3,563.40	€4,597.10	€5,706.60	€6,184.00	€6,408.70
% Growth	-4.98%	29.01%	24.13%	8.37%	3.63%

Table 1 – Historical Income Statement FY2020-FY2024

	2025E	2026E	2027E	2028E	2029E	2030E
Net Sales	€44,388.73	€45,478.85	€46,596.44	€47,742.22	€48,678.21	€49,389.92
% Change	2.07%	2.46%	2.46%	2.46%	1.96%	1.46%
Cost Of Sales	€11,407.90	€11,642.58	€11,882.09	€12,126.52	€12,315.59	€12,446.26
% Sales	25.7%	25.6%	25.5%	25.4%	25.3%	25.2%
Gross Profit	€32,980.83	€33,836.26	€34,714.35	€35,615.69	€36,362.62	€36,943.66
Gross Margin	74.30%	74.40%	74.50%	74.60%	74.70%	74.80%
Research and Innovation	€1,380.70	€1,414.61	€1,449.37	€1,485.01	€1,514.12	€1,536.26
% Sales	3.11%	3.11%	3.11%	3.11%	3.11%	3.11%
Advertising and Promotion	€14,289.47	€14,640.39	€15,000.16	€15,369.01	€15,670.32	€15,899.43
% Sales	32.19%	32.19%	32.19%	32.19%	32.19%	32.19%
Selling, General and Administrative	€8,254.37	€8,457.08	€8,664.91	€8,877.97	€9,052.02	€9,184.37
% Sales	18.60%	18.60%	18.60%	18.60%	18.60%	18.60%
Other Operating Expenses	€0.00	€0.00	€0.00	€0.00	€0.00	€0.00
Earnings Before Interests and Taxes (EBIT)	€9,056.30	€9,324.18	€9,599.91	€9,883.71	€10,126.16	€10,323.60
% Sales	20.40%	20.50%	20.60%	20.70%	20.80%	20.90%
Interest Expenses	€362.00	€362.00	€362.00	€362.00	€362.00	€362.00
Interest Income	€167.40	€167.40	€167.40	€167.40	€167.40	€167.40
Non-Interest Financial Income	€329.20	€329.20	€329.20	€329.20	€329.20	€329.20
Other Non-Operating Income/Expenses	€0.0	€0.0	€0.0	€0.0	€0.0	€0.0
Other Income - Net of Other Expenses	-€268.90	-€268.90	-€268.90	-€268.90	-€268.90	-€268.90
Earnings Before Taxes (EBT)	€8,922.00	€9,189.88	€9,465.61	€9,749.41	€9,991.86	€10,189.30
% Sales	20.10%	20.21%	20.31%	20.42%	20.53%	20.63%
Taxes	€2,154.02	€2,218.69	€2,285.26	€2,353.78	€2,412.31	€2,459.98
% EBT	24.14%	24.14%	24.14%	24.14%	24.14%	24.14%
Net Income After Taxes	€6,767.98	€6,971.19	€7,180.35	€7,395.63	€7,579.54	€7,729.32
Equity in Earnings/(Loss) of Affiliates (after Taxes)	-€2.00	-€2.00	-€2.00	-€2.00	-€2.00	-€2.00
After-Tax Adjustments - Other - Income/(Expense)	€0.00	€0.00	€0.00	€0.00	€0.00	€0.00
Net Income	€6,765.98	€6,969.19	€7,178.35	€7,393.63	€7,577.54	€7,727.32
% Sales	15.24%	15.32%	15.41%	15.49%	15.57%	15.65%
Extraordinary Activities - after Tax - Gain/(Loss)	€0.00	€0.00	€0.00	€0.00	€0.00	€0.00
Minority Interest	€7.58	€7.81	€8.04	€8.28	€8.49	€8.66
% Net Income	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
Earnings Adjustments to Net Income - Other Expense/(Income)	€0.00	€0.00	€0.00	€0.00	€0.00	€0.00
Income Available to Common Shares	€6,758.40	€6,961.38	€7,170.30	€7,385.35	€7,569.05	€7,718.66
% Growth	5.46%	3.00%	3.00%	3.00%	2.49%	1.98%

Table 2 – Forecasted Income Statement FY2025-FY2030

	FY2020	FY2021	FY2022	FY2023	FY2024
Consumer Products					
Revenue	€11,703.80	€12,233.50	€14,021.30	€15,172.70	€15,982.40
% Total Revenue	41.81%	37.89%	36.65%	36.84%	36.75%
Dermatological Beauty					
Revenue	€3,011.10	€3,924.00	€5,124.50	€6,432.00	€7,027.10
% Total Revenue	10.76%	12.15%	13.39%	15.62%	16.16%
L'Oréal Luxe					
Revenue	€10,179.90	€12,346.20	€14,638.10	€14,924.00	€15,591.10
% Total Revenue	36.37%	38.24%	38.26%	36.24%	35.85%
Professional Products					
Revenue	€3,097.30	€3,783.90	€4,476.80	€4,653.90	€4,886.20
% Total Revenue	11.06%	11.72%	11.70%	11.30%	11.24%
TOTAL	€27,992.10	€32,287.60	€38,260.70	€41,182.60	€43,486.80
% Change	-6.30%	15.35%	18.50%	7.64%	5.60%

Table 3 – Historical Breakdown of Revenue by Product Division

	2025E	2026E	2027E	2028E	2029E	2030E
Consumer Products						
Revenue	€16,296.93	€16,622.87	€16,955.33	€17,294.44	€17,553.85	€17,729.39
% Total Revenue	36.71%	36.55%	36.39%	36.22%	36.06%	35.90%
Dermatological Beauty						
Revenue	€7,228.75	€7,445.61	€7,668.98	€7,899.05	€8,096.52	€8,258.45
% Total Revenue	16.29%	16.37%	16.46%	16.55%	16.63%	16.72%
L'Oréal Luxe						
Revenue	€15,716.25	€16,109.16	€16,511.88	€16,924.68	€17,263.17	€17,522.12
% Total Revenue	35.41%	35.42%	35.44%	35.45%	35.46%	35.48%
Professional Products						
Revenue	€5,146.80	€5,301.21	€5,460.25	€5,624.05	€5,764.65	€5,879.95
% Total Revenue	11.59%	11.66%	11.72%	11.78%	11.84%	11.91%
TOTAL	€44,388.73	€45,478.85	€46,596.44	€47,742.22	€48,678.21	€49,389.92
% Change	2.07%	2.46%	2.46%	2.46%	1.96%	1.46%

Table 4 – Forecasted Breakdown of Revenue by Product Division

Description	Adjusted Yield	Last Price	Amount Outstanding EUR	Market value	Weighted Yield
LOREAL / OREP 0.875 29-Jun-2026 '26	2.253	99.297	€1,250,000,000.00	€1,241,212,500.000	0.295%
LOREAL / OREP 3.375 23-Jan-2027 '26 MTN	2.407	101.019	€800,000,000.00	€808,152,000.000	0.205%
LOREAL / OREP 2.500 06-Nov-2027 '27 MTN	2.442	100.102	€750,000,000.00	€750,765,000.000	0.194%
LOREAL / OREP 2.875 19-May-2028 '28 MTN	2.513	100.825	€1,000,000,000.00	€1,008,250,000.000	0.267%
LOREAL / OREP 3.375 23-Nov-2029 '29 MTN	2.725	102.38	€700,000,000.00	€716,660,000.000	0.206%
LOREAL / OREP 2.750 19-Nov-2030 '30 MTN	2.929	99.189	€1,000,000,000.00	€991,890,000.000	0.307%
LOREAL / OREP 2.875 06-Nov-2031 '31 MTN	3.034	99.151	€500,000,000.00	€495,755,000.000	0.159%
LOREAL / OREP 5.000 20-May-2035 '35	3.443	102.184	€726,289,832.48	€742,148,370.975	0.270%
LOREAL / OREP 3.375 19-Jan-2036 '35 MTN	3.631	97.855	€1,150,000,000.00	€1,125,332,500.000	0.431%
LOREAL / OREP 2.248 19-Nov-2027 '27 MTN	2.246	100.007	€850,000,000.00	€850,059,500.000	0.202%
Total			€8,602,579,664.97	€9,471,471,916.27	2.54%

Table 5 – Cost of Debt Computations

	FY 2020	FY 2021	FY2022	FY2023	FY2024
EBIT*(1-t)	€3,889.58	€4,699.66	€5,663.85	€6,324.79	€6,611.79
D&A	€1,681.70	€1,542.00	€1,474.10	€1,453.90	€1,589.30
Change in NWC	-€926.50	-€302.80	€1,369.50	€738.80	€535.30
Change in Others	€998.90	€121.90	-€3.20	-€48.90	€99.70
CapEx	€972.40	€1,075.20	€1,343.20	€1,488.70	€1,641.70
FCFF	€4,526.48	€5,347.36	€4,428.45	€5,600.09	€5,924.39
% Change	7.88%	18.14%	-17.18%	26.46%	5.79%

Table 6 – Historical Free Cash Flow to the Firm

	Revenues			
	2025E	2026E	2027E	CAGR
L'Oréal	€44,388.73	€45,478.85	€46,596.44	2.46%
Estée Lauder	€12,640.73	€13,265.44	€13,868.96	4.75%
Beiersdorf	€9,851.79	€10,194.74	€10,646.32	3.95%
Colgate-Palmolive	€17,654.86	€18,251.39	€18,885.36	3.43%
Procter & Gamble	€73,631.18	€76,683.12	€79,152.61	3.68%

Table 7 – Peer Group: Projected Revenues and CAGR

	EBIT			
	2025E	2026E	2027E	CAGR
L'Oréal	€9,056.30	€9,324.18	€9,599.91	2.96%
Estée Lauder	€1,114.55	€1,435.70	€1,755.46	25.50%
Beiersdorf	€1,375.39	€1,446.02	€1,541.97	5.88%
Colgate-Palmolive	€3,756.04	€3,899.15	€4,098.05	4.45%
Procter & Gamble	€17,855.04	€18,782.89	€19,770.41	5.23%

Table 8 – Peer Group: Projected EBIT and CAGR

	FCFF			
	2025E	2026E	2027E	CAGR
L'Oréal	€8,122.10	€7,439.91	€7,834.65	-1.79%
Estée Lauder	€524.63	€902.62	€1,343.82	60.05%
Beiersdorf	€934.81	€918.06	€977.29	2.25%
Colgate-Palmolive	€2,870.30	€2,808.56	€2,971.43	1.75%
Procter & Gamble	€13,560.67	€13,978.80	€14,802.21	4.48%

Table 9 – Peer Group - Projected FCFF and CAGR

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