

Estee Lauder: constantly reviewing brands

By Simon Pitman

6/7/2007- Estee Lauder says that is always looking for new opportunities in answer to rumors that it is considering acquiring US skin and health care company Murad.

The rumors, which first appeared in Women's Wear Daily earlier this week, have neither been denied or acknowledged by the company, with a spokesperson stating that it was not policy to make comment on such negotiations.

"We are constantly reviewing brands. It's our strategy. Brand optimization," Sally Susman, a spokesperson for Estee Lauder was quoted as saying in a Reuters report.

She also stated that although the company already has a portfolio of 26 brands, the possibility of further acquisitions is always in the offing, adding, *"we just want the brands to grow our business."*

Murad certainly has the potential to be a strong brand to add to the company portfolio, having focused on the fast-growing market for health and well-being, one of the biggest driving forces in the cosmetics and toiletries market at present.

Murad was set up by Dr. Howard Murad, who launched his first skin care range back in 1989. The company markets a broad range of cosmetic, toiletry and supplements both online and through informercials, mainly in the US market.

Currently the company brands include nine different ranges that target, amongst others, sun care, combination skins, genetic aging, environmental aging and acne through a combination of both topical treatments and oral supplements.

Dr. Murad also has a high public profile, born out of both his involvement in skin care conferences, as well as US public television appearance, all of which has done much to promote his skin care brands.

In recent months Estee Lauder's financial performance has shown significant recovery on the back of a particularly strong performance from its international markets, however the US market has continued to disappoint, with sales remaining stagnant.

At the beginning of May the company said that net sales for its most recent third quarter grew 7 per cent to \$1.69bn, an increase of 5 per cent taking into account the positive impact of foreign currency translation.

The net profit figure looked even better, with net earnings rising 59.5 per cent to reach \$93.9m, compared to the same period last year, thanks both to restructuring and the strong increase in sales.

However, US sales were let down by a drop in performance in big brands such as Clinique, whereas overall sales of fragrances were also reported to have dropped off.

The poor performance in the crucial US sales unnerved investors, who reacted to the results by selling off shares, leading to a 5 per cent drop in share prices immediately after the announcement, reversing a trend that had put 25 per cent on share prices so far this year.

However, a strong acquisition in the US market is likely to restore investor confidence and provide a much needed positive impact on sales in that market.