

THE ESTÉE LAUDER COMPANIES INC. (NYSE: EL) BENCH

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- I. INTRODUCTION
- II. COMPANY BACKGROUND
- III. INVESTMENT DRIVERS
- IV. VALUATION
- V. SECTOR STRATEGY
- VI. APPENDIX

I. INTRODUCTION

• 12 Month Price Target:

\$357.64

• Appropriate Entry Price:

~\$315.00

• Recent Earnings Date

Feb. 3

1

• M&A Activity

2

• Advantageous Geographic Positioning

3

• Covid-19 Actions

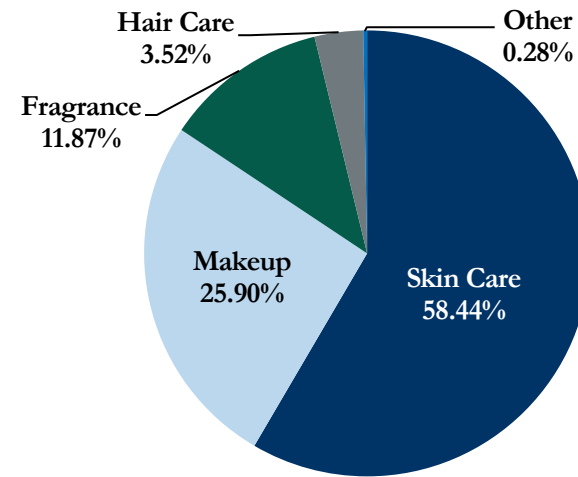
II. COMPANY BACKGROUND

COMPANY OVERVIEW

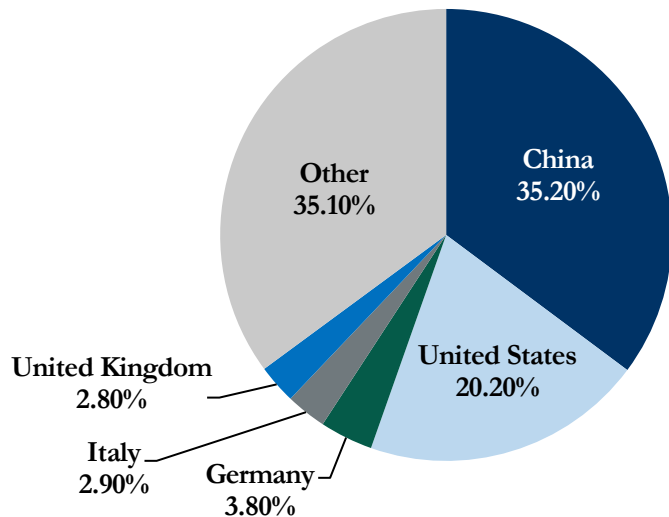
BUSINESS DESCRIPTION

- Estée Lauder engages in the manufacture and sale of skin care, fragrance, makeup, and hair care products
- The company operates in 5 business segments:
 - **Skin Care:** Includes moisturizers, serums, cleansers, exfoliators, acne care, facial mask, sun care products, etc.
 - **Makeup:** Includes lipsticks, mascaras, foundations, etc.
 - **Fragrance:** Includes sprays, colognes, candles, etc.
 - **Hair Care:** Includes shampoos, conditioners, etc.
 - **Other:** Includes ancillary products and services
- As of FY2020, the Company operates ~1,600.00 stores

REVENUE BY BUSINESS SEGMENT



REVENUE BY GEOGRAPHIC SEGMENT



KEY FIGURES

(\$ in millions)	FY2021	FY2020	FY2019	FY2018
Sales	\$16,251.00	\$14,259.00	\$14,835.00	\$13,683.00
<i>Growth</i>	13.97%	-3.88%	8.42%	15.72%
Total Expense	\$13,118.00	\$12,262.00	\$12,320.00	\$11,250.00
<i>Margin</i>	80.72%	85.99%	83.05%	82.22%
Operating Income	\$3,133.00	\$1,997.00	\$2,515.00	\$2,433.00
<i>Margin</i>	19.28%	14.01%	16.95%	17.78%
Net Income	\$2,870.00	\$684.00	\$1,785.00	\$1,108.00
<i>Growth</i>	319.59%	-61.68%	61.10%	-11.29%

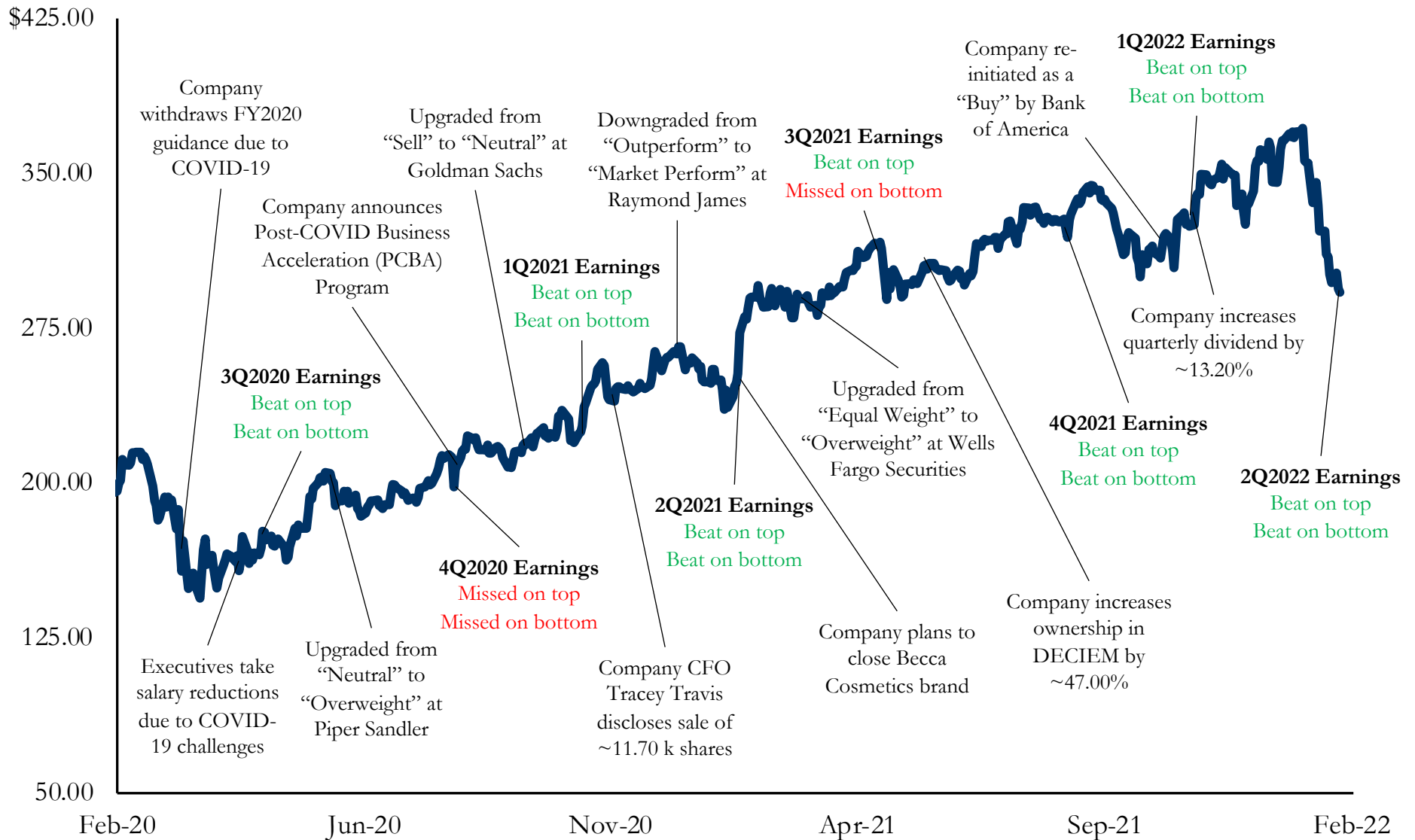
INDUSTRY OVERVIEW

- Firms in the Cosmetic and Beauty Product industry generally engage in the manufacture, marketing, sale, and distribution of beauty-related products, including perfumes, makeup items, hair products, creams, lotions, skin and personal care products, and more
 - The Cosmetic and Beauty Products industry is part of the Personal Products subsector, the least defensive sector in Consumer Staples
- The industry has underperformed as the COVID-19 pandemic began, especially for luxury products linked to travel and leisure activity
- Companies in the subsector typically complete M&A deals with smaller beauty companies to fuel innovation in its products and grow
 - The total value of M&A deals in the subsector dropped ~80.23% in CY2020 to ~\$6.90 bn, but increased to ~\$21.80 bn in CY2021
- Some key trends for the industry include a shift to more eco-friendly products and more product offerings for diverse populations

	COMPANY	SIZE (BN)	DESCRIPTION
	The Estée Lauder Companies Inc. (EL)	\$109.11	Estée Lauder engages in the manufacture of skin care, fragrance, hair care, and makeup products. It sells products under various brand names, including Clinique and MAC
	L'Oréal SA (LRLCY)	\$235.90	L'Oréal engages in the sale and manufacture of beauty and hair products. Based out of France, it is the world's leading cosmetics brand, with ~\$32.00 bn in sales in FY2020
	Beiersdorf AG (BDRFY)	\$25.47	Beiersdorf engages in the manufacture, development, and distribution of skin and personal care products. The Company offers products and solutions to consumers and businesses
	Shiseido Company, Limited (SSDOY)	\$20.67	Shiseido produces and sells cosmetics, fragrances, and personal care products for men and women. The Company earns ~78.90% of revenue from the Asia/Pacific region
	COTY INC. (COTY)	\$6.88	Coty manufactures, markets, distributes, and sells branded beauty products. In CY2020, the Company acquired ~51.00% of Kylie Cosmetics to expand its market reach worldwide

ANNOTATED STOCK CHART

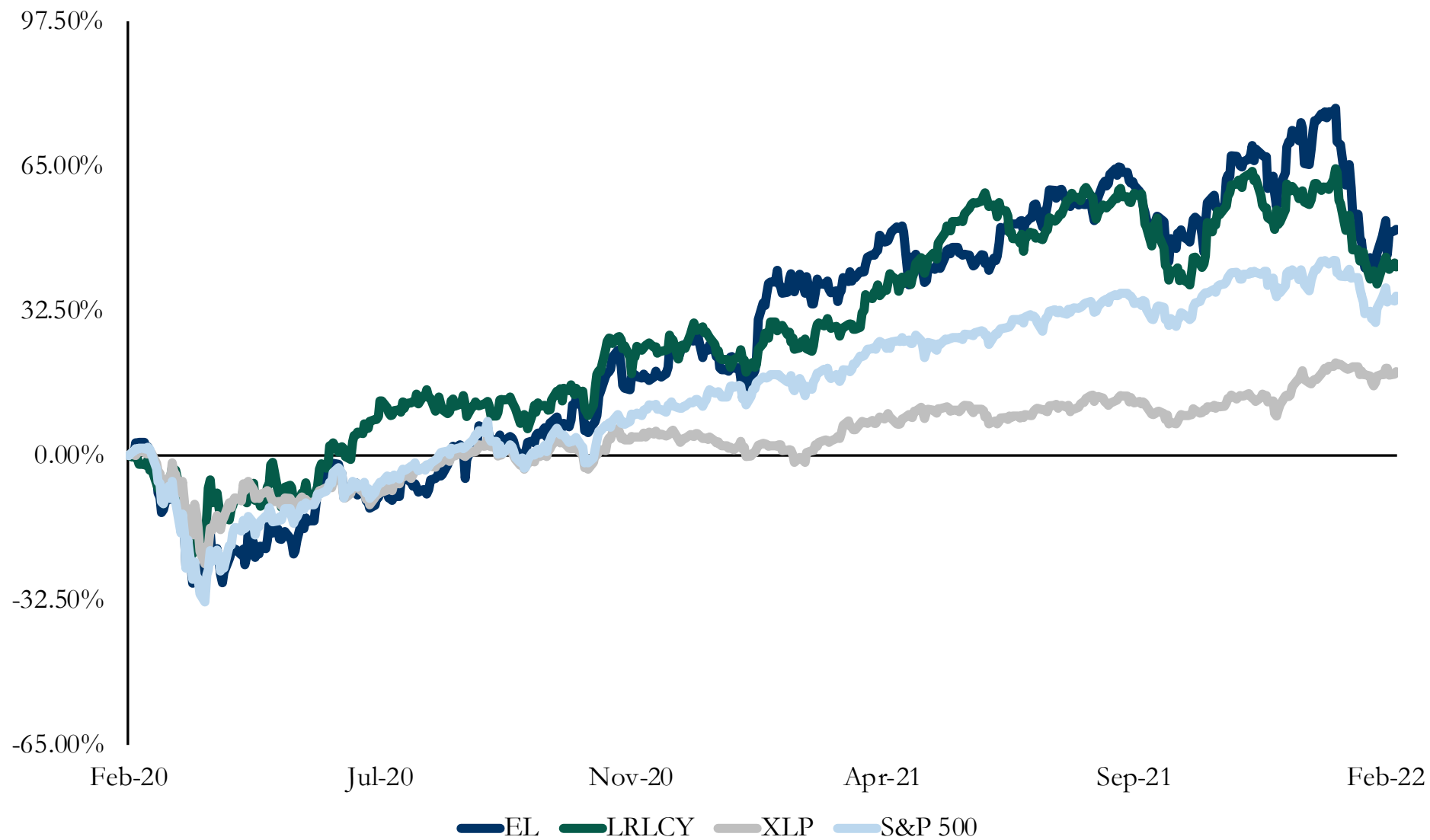
THE ESTÉE LAUDER COMPANIES INC. NOMINAL PERFORMANCE AND KEY EVENTS



Source: Data from FactSet as of 2/3/22

RELATIVE PERFORMANCE

EL vs. LRLCY vs. XLP vs. S&P 500



III. INVESTMENT DRIVERS

DEALS IMPACTING MARKET EXPOSURE

Estée Lauder uses M&A deals as a strategic way to grow its business in terms of sales and demographic reach

- In February CY2021, the Company increased its stake in Deciem Inc. from ~29.00% to ~76.00% for ~\$1.09 bn
 - This acquisition increases the Company’s exposure to millennials and people of diverse skin tones
 - This increased intangible assets relating to amortizable customer lists for Estée Lauder by ~\$701.00 MM
- The Company’s acquisition of Dr. Jart+ contributed to ~7.00% of growth in its Skin Care segment in 2Q2020

M&A ACTIVITY VS. COMPETITORS* (LAST 10 CY)

Company	# of Deals	Avg. Value (MM)
EL	11.00	\$947.60
LRLCY	27.00	\$525.56
BDRFY	6.00	\$367.85
SSDOY	5.00	\$260.00
COTY	10.00	\$2,229.13
NTCO	5.00	\$1,412.37

Source: FactSet, *Note: Not all deals have publicly available transaction amounts

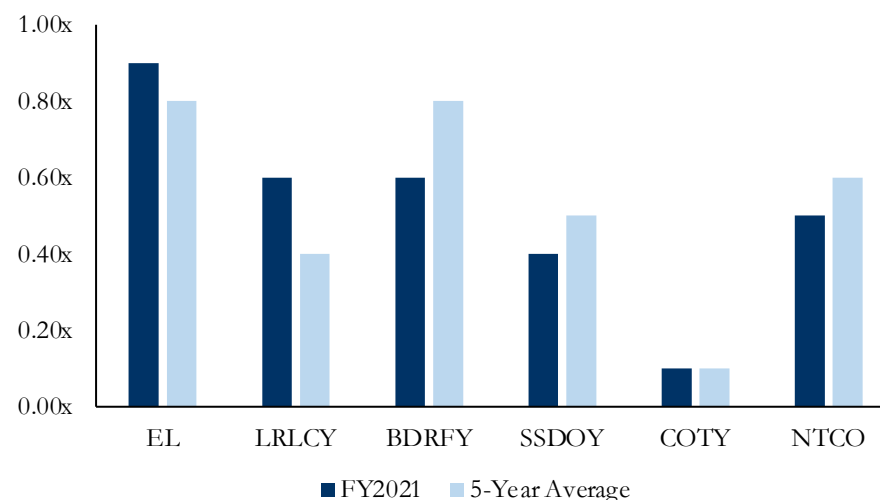
Sources: FactSet, Nasdaq, Vogue Business

STRONG COMPANY POSITIONING

The Company can further grow through tactically acquiring companies despite current market conditions

- As of 2Q2022, the Company has a ~\$4.96 bn cash balance
- Two of the Company’s last four deals were followed or preceded by a long-term debt offering within three months
- ~5.17% of total debt for the Company is short-term, compared to ~98.98% for its main competitor, L’Oréal
 - This gives Estée Lauder less exposure to interest rate changes to finance operations and acquisitions

EL CASH RATIO VS. COMPETITORS



Source: FactSet

GROWTH IN INTERNATIONAL MARKETS

The Company is continuing efforts to grow its international exposure to meet local consumer needs

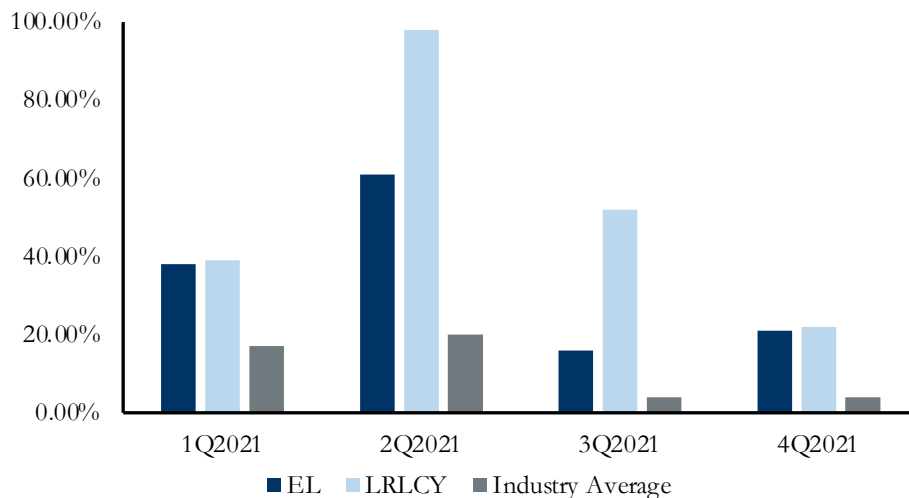
- The Company's largest customer is based in China, accounting for ~14.00% of net sales, growing ~7.00% y/y
- In 2Q2022, net sales in China increased by ~43.44% q/q
 - This occurred despite domestic air passenger travel dropping ~15.00% from Sept. to Nov. CY2021
- In FY2021, the Company began construction of a new innovation center for its products in Shanghai, China

INCREASING INFLUENCER EXPOSURE

The Company is growing its exposure to influencers to improve marketing of its products to target audiences

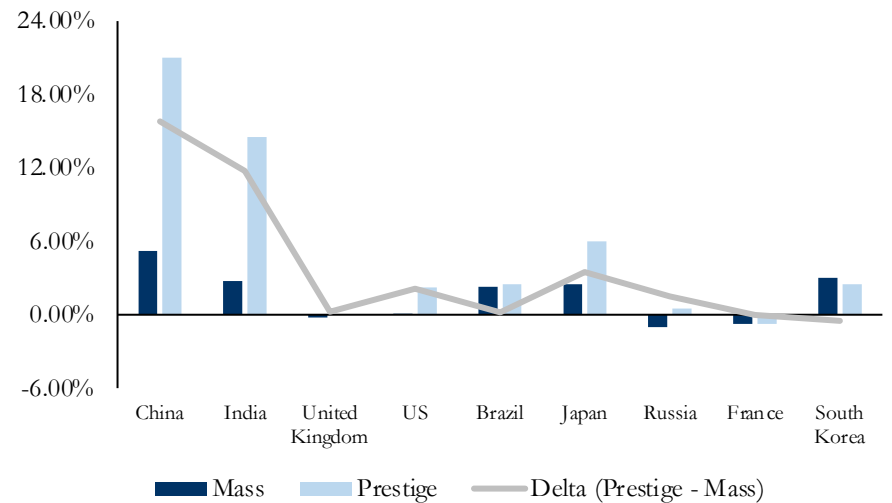
- Estée Lauder had ~11.60 k brand influencers in CY2021, with an earned media value (EMV) of ~\$65.50 MM
 - EMV measures impacts of third-party brand content
 - Deciem had an EMV of ~\$58.80 MM in CY2021
- ~75.00% of the Company's marketing budget is channeled to influencer and digital marketing as of FY2019
 - These efforts may lessen the effects of ever-evolving COVID-19 restrictions affecting retail operations

TALL BEAUTY SALES GROWTH (2-YR SALES CAGR)



Sources: Company Filings, Tmall, Credit Suisse

PRESTIGE VS. MASS BEAUTY PER CAPITA SPENDING GROWTH (5-YR CAGR)



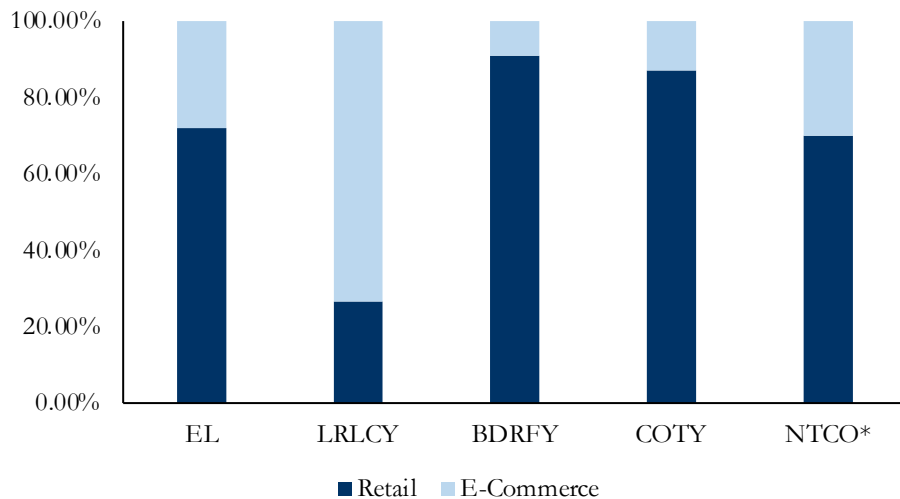
Sources: Euromonitor, Stifel

DEVELOPMENTS DURING THE COVID-19 PANDEMIC

Estée Lauder are making forward-looking and consolidating efforts to adjust to the new environment

- In CY2021, the Company created an augmented reality platform to let customers “try on” makeup digitally
- The Company decided to end the distribution of its BECCA-branded products to focus on stronger brands
- Estée Lauder focused on a “digital-first” mindset during the COVID-19 pandemic to decrease reliance on retail stores
 - In FY2021, product sales from online channels increased ~34.00%, contributing ~28.00% to total Company sales

SHARE OF TOTAL SALES VS. COMPETITORS



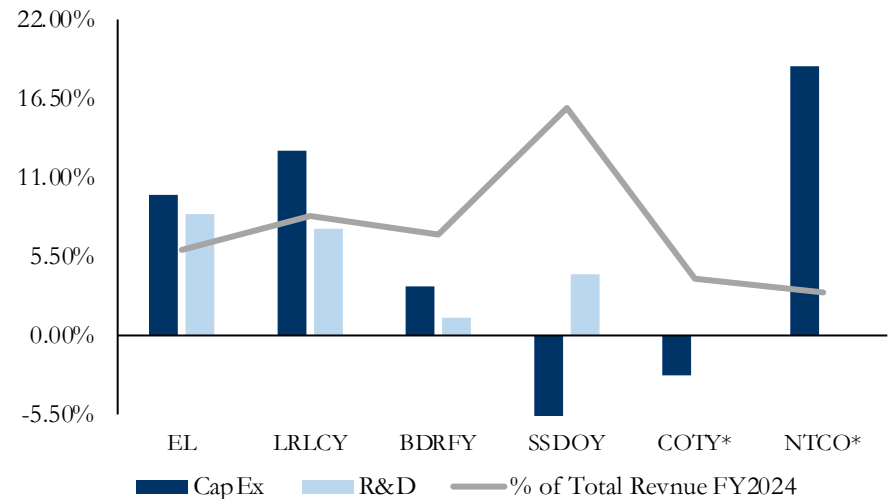
Source: Most recent Company reports, *Data only available for “The Body Shop” subsidiary

BUSINESS ACCELERATION EFFORTS

The Company is engaging in restructuring efforts to better adapt to changing consumer behaviors

- In August CY2020, the Company announced the Post-COVID Business Acceleration (PCBA) Program
 - The program is designed to improve efficiency by rebalancing resources to growing areas of prestige beauty
- The PCBA Program is estimated to reduce 1.50 k – 2.00 k employee positions and 10.00% - 15.00% of stores
 - The effort is expected to reduce total SG&A expenses by \$300.00 MM - \$500.00 MM once fully implemented

CAPEX & R&D GROWTH VS. COMPETITORS (5YR CAGR)



Source: FactSet, Sector Estimates, *COTY and NTCO do not directly report R&D expenses

IV. VALUATION

COMPARABLES

(\$ in millions)

	% of 52 week high	FY+1 P / E	FY+2 P / E	NTM EV / EBITDA	FY+1 EV / EBITDA	FY+2 EV / EBITDA	NTM EV / Sales	FY+1 EV / Sales	FY+2 EV / Sales	Annual dividend yield
Comparables										
L'Oreal SA Un-sponsored ADR	87%	42.5x	37.6x	23.2x	25.9x	23.3x	5.8x	6.4x	5.8x	1.02%
Beiersdorf AG Un-sponsored ADR	80%	29.0x	26.5x	14.0x	15.0x	14.1x	2.3x	2.5x	2.3x	0.47%
Shiseido Company,Limited Sponsored ADR	67%	66.8x	45.3x	16.1x	23.7x	16.6x	2.3x	2.4x	2.4x	0.40%
Coty Inc. Class A	77%	36.1x	23.1x	13.7x	14.5x	13.3x	2.4x	2.5x	2.4x	0.00%
Natura & Co Holding SA Sponsored ADR	33%	61.7x	45.3x	8.8x	11.3x	9.1x	0.9x	1.0x	1.0x	0.00%
High	87%	66.8x	45.3x	23.2x	25.9x	23.3x	5.8x	6.4x	5.8x	1.02%
Mean	69%	47.2x	35.6x	15.1x	18.1x	15.3x	2.8x	3.0x	2.8x	0.38%
Median	77%	42.5x	37.6x	14.0x	15.0x	14.1x	2.3x	2.5x	2.4x	0.40%
Low	33%	29.0x	23.1x	8.8x	11.3x	9.1x	0.9x	1.0x	1.0x	0.00%
Estee Lauder Companies Inc. Class A	84%	33.5x	30.5x	24.5x	26.6x	23.8x	5.9x	6.2x	5.7x	0.65%

	EPS growth	FY+1 PEG ratio	FY+2 PEG ratio	LTM EBITDA margin	FY+1 EBITDA margin	FY+2 EBITDA margin	LTM profit margin	FY+1 profit margin	FY+2 profit margin	Credit rating
Comparables										
L'Oreal SA Un-sponsored ADR	11.73%	3.6x	3.2x	24.61%	24.67%	24.82%	-	15.35%	15.53%	-
Beiersdorf AG Un-sponsored ADR	10.34%	2.8x	2.6x	17.87%	16.41%	16.47%	-	8.91%	9.27%	-
Shiseido Company,Limited Sponsored ADR	-	-	-	10.00%	10.03%	14.16%	3.73%	3.41%	4.99%	-
Coty Inc. Class A	11.00%	3.3x	2.1x	18.56%	17.37%	17.95%	0.93%	3.71%	5.89%	-
Natura & Co Holding SA Sponsored ADR	54.42%	1.1x	0.8x	10.30%	9.16%	10.58%	1.63%	1.07%	1.42%	-
High	54.42%	3.6x	3.2x	24.61%	24.67%	24.82%	3.73%	15.35%	15.53%	-
Mean	21.87%	2.7x	2.2x	16.27%	15.53%	16.80%	2.10%	6.49%	7.42%	-
Median	11.37%	3.0x	2.3x	17.87%	16.41%	16.47%	1.63%	3.71%	5.89%	-
Low	10.34%	1.1x	0.8x	10.00%	9.16%	10.58%	0.93%	1.07%	1.42%	-
Estee Lauder Companies Inc. Class A	36.60%	3.2x	2.8x	24.46%	23.82%	24.42%	18.31%	14.86%	15.36%	A

COMPARABLES

(\$ in millions)

	Market value	LTM sales	Beta	WACC	EPS	ROA	ROE	ROIC
Comparables								
L'Oreal SA Un-sponsored ADR	\$237,026	-	0.78	6.70%	\$1.45	7.92%	11.86%	11.29%
Beiersdorf AG Un-sponsored ADR	\$25,312	-	0.59	6.50%	\$0.56	5.31%	8.84%	8.69%
Shiseido Company,Limited Sponsored ADR	\$20,849	\$9,427	0.60	5.30%	-\$0.27	-0.95%	-2.35%	-1.61%
Coty Inc. Class A	\$7,023	\$4,877	2.04	8.10%	-\$0.07	-0.42%	-2.18%	-0.60%
Natura & Co Holding SA Sponsored ADR	\$5,409	\$7,573	1.53	18.80%	-\$0.10	-1.14%	-3.22%	-1.80%
High	\$237,026	\$9,427	2.04	18.80%	\$1.45	7.92%	11.86%	11.29%
Mean	\$59,124	\$7,292	1.11	9.08%	\$0.31	2.14%	2.59%	3.20%
Median	\$20,849	\$7,573	0.78	6.70%	-\$0.07	-0.42%	-2.18%	-0.60%
Low	\$5,409	\$4,877	0.59	5.30%	-\$0.27	-1.14%	-3.22%	-1.80%
Estee Lauder Companies Inc. Class A	\$73,081	\$17,771	1.07	7.14%	\$7.79	14.44%	57.45%	23.08%

	Current ratio	Quick ratio	Price to book value	Debt to equity	Price to LTM sales	Price to FCF	Revenue per share	FCF per share
Comparables								
L'Oreal SA Un-sponsored ADR	1.3x	1.1x	6.0x	0.1x	-	34.2x	11.36	2.22
Beiersdorf AG Un-sponsored ADR	1.6x	1.2x	3.4x	0.0x	-	31.3x	7.06	0.74
Shiseido Company,Limited Sponsored ADR	1.5x	1.0x	5.9x	0.8x	2.9x	-	21.59	-0.22
Coty Inc. Class A	0.7x	0.5x	2.5x	2.4x	-	26.4x	6.05	0.35
Natura & Co Holding SA Sponsored ADR	1.2x	0.9x	2.6x	0.6x	1.5x	105.1x	11.49	0.19
High	1.6x	1.2x	6.0x	2.4x	2.9x	105.1x	21.59	2.22
Mean	1.2x	0.9x	4.1x	0.8x	2.2x	49.2x	11.51	0.66
Median	1.3x	1.0x	3.4x	0.6x	2.2x	32.7x	11.36	0.35
Low	0.7x	0.5x	2.5x	0.0x	1.5x	26.4x	6.05	-0.22
Estee Lauder Companies Inc. Class A	1.8x	1.4x	19.0x	1.3x	7.6x	39.1x	44.14	8.13

REVENUE BREAKDOWN

(\$ in millions)

Revenue By Business Segment (MM)														
Fiscal Year	Historical			Projected										10-yr CAGR
	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
Skin Care	6,551	7,382	9,484	10,859	11,999	13,259	15,878	17,863	19,649	21,123	22,390	23,510	24,685	8.6%
<i>y/y Growth</i>		12.7%	28.5%	14.5%	10.5%	10.5%	19.8%	12.5%	10.0%	7.5%	6.0%	5.0%	5.0%	
Makeup	5,860	4,794	4,203	4,833	5,438	5,981	6,520	7,106	7,675	8,212	8,705	9,140	9,597	7.1%
<i>y/y Growth</i>		-18.2%	-12.3%	15.0%	12.5%	10.0%	9.0%	9.0%	8.0%	7.0%	6.0%	5.0%	5.0%	
Fragrance	1,802	1,563	1,926	2,273	2,443	2,529	2,680	2,832	2,975	3,141	3,312	3,489	3,680	4.9%
<i>y/y Growth</i>		-13.3%	23.2%	18.0%	7.5%	3.5%	6.0%	5.7%	5.1%	5.6%	5.4%	5.4%	5.5%	
Hair Care	584	515	571	631	663	692	720	752	785	819	854	891	930	4.0%
<i>y/y Growth</i>		-11.8%	10.9%	10.5%	5.0%	4.5%	4.0%	4.5%	4.3%	4.3%	4.4%	4.3%	4.3%	
Other	69	40	45	68	61	58	56	56	58	59	61	62	64	-0.6%
<i>y/y Growth</i>		-42.0%	12.5%	50.0%	-10.0%	-5.0%	-2.5%	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	
Total Revenue	14,866	14,294	16,229	18,664	20,603	22,519	25,854	28,610	31,142	33,354	35,322	37,093	38,955	7.6%
<i>y/y Growth</i>		-4%	13.5%	15.0%	10.4%	9.3%	14.8%	10.7%	8.8%	7.1%	5.9%	5.0%	5.0%	

INCOME STATEMENT



(\$ in millions)

Year (FY)	Historical			Projected										10-yr CAGR
	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
Revenue	14,866	14,294	16,229	18,664	20,603	22,519	25,854	28,610	31,142	33,354	35,322	37,093	38,955	6-5%
<i>% Growth</i>	0.0%	-3.8%	13.5%	15.0%	10.4%	9.3%	14.8%	10.7%	8.8%	7.1%	5.9%	5.0%	5.0%	
COGS	(2,830)	(2,931)	(3,167)	(3,266)	(3,595)	(3,918)	(4,486)	(4,950)	(5,372)	(5,737)	(6,058)	(6,343)	(6,642)	
Gross Profit	12,036	11,363	13,062	15,398	17,008	18,601	21,369	23,661	25,770	27,617	29,264	30,750	32,314	6-6%
<i>Gross Margin</i>	81.0%	79.5%	80.5%	82.5%	82.6%	82.6%	82.7%	82.7%	82.8%	82.8%	82.9%	82.9%	82.9%	
Operating Expenses	(9,490)	(9,331)	(9,951)	(11,245)	(12,092)	(13,104)	(15,082)	(16,711)	(18,224)	(19,560)	(20,751)	(21,832)	(22,973)	
Other Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating income (EBIT)	2,546	2,032	3,111	4,153	4,916	5,497	6,287	6,949	7,546	8,057	8,514	8,917	9,340	7-3%
<i>EBIT Margin</i>	17.1%	14.2%	19.2%	22.3%	23.9%	24.4%	24.3%	24.3%	24.2%	24.2%	24.1%	24.0%	24.0%	
Interest Income (Expense)	208	951	(198)	187	206	225	259	286	311	334	353	371	390	
Tax Expense	(513)	(350)	(456)	(933)	(1,101)	(1,230)	(1,407)	(1,556)	(1,689)	(1,804)	(1,906)	(1,997)	(2,092)	
<i>Tax Rate</i>	21.9%	32.4%	13.8%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	
Net Income attributable to EL	1,834	743	2,858	3,407	4,021	4,492	5,138	5,680	6,168	6,587	6,961	7,291	7,638	7-3%
Basic Earning per Share	\$5.05	\$2.06	\$7.88	\$9.43	\$11.13	\$12.43	\$14.22	\$15.72	\$17.07	\$18.23	\$19.27	\$20.18	\$21.14	
Diluted Earning per Share	\$4.95	\$2.03	\$7.76	\$9.38	\$11.07	\$12.37	\$14.15	\$15.64	\$16.99	\$18.14	\$19.17	\$20.08	\$21.03	

UNLEVERED FREE CASH FLOW

(\$ in millions)

Year (FY)	Historical			Projected										10-yr CAGR
	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
EBITDA	3,103	2,643	3,762	4,856	5,671	6,327	7,277	8,051	8,765	9,387	9,941	10,439	10,963	7-4%
<i>EBITDA Margin</i>	20.9%	18.5%	23.2%	26.0%	27.5%	28.1%	28.1%	28.1%	28.1%	28.1%	28.1%	28.1%	28.1%	
Less: D&A	(557)	(611)	(651)	(703)	(755)	(831)	(990)	(1,101)	(1,218)	(1,330)	(1,427)	(1,522)	(1,623)	
EBIT	2,546	2,032	3,111	4,153	4,916	5,497	6,287	6,949	7,546	8,057	8,514	8,917	9,340	7-3%
<i>EBIT Margin</i>	17.1%	14.2%	19.2%	22.3%	23.9%	24.4%	24.3%	24.3%	24.2%	24.2%	24.1%	24.0%	24.0%	
<i>Tax Rate</i>	21.9%	32.4%	13.8%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	
Plus: D&A	557	611	651	703	755	831	990	1,101	1,218	1,330	1,427	1,522	1,623	
Less: Capital Expenditures	(744)	(623)	(637)	(827)	(873)	(945)	(1,109)	(1,213)	(1,321)	(1,420)	(1,500)	(1,576)	(1,656)	
Less: Change in Net Working Capital	-	(1,106)	(757)	(492)	(320)	(208)	(135)	(88)	(57)	(37)	(24)	(16)	(10)	
Unlevered Free Cash Flow (uFCF)	1,800	256	1,939	2,644	3,421	3,993	4,682	5,255	5,764	6,198	6,586	6,930	7,289	0/-6%
<i>% Growth</i>	0.0%	-85.8%	657.3%	36.3%	29.4%	16.7%	17.3%	12.3%	9.7%	7.5%	6.3%	5.2%	5.2%	

DISCOUNTED CASH FLOW ANALYSIS

(\$ in millions)

DISCOUNTED CASH FLOW ANALYSIS

Assumptions			Implied values (MM)					
Tax Rate	21.50%	10-Q	Terminal Value	152,567		2022	2023	2024
Risk-free rate	1.92%	U.S. 10-yr Treasury	Present Value of Terminal Value	82,617	P/E	33.5x	28.4x	25.4x
Equity Risk Premium	5.09%	Damodaran	% Enterprise Value	70%				
Beta	1.07	5 Year	Present Value of UFCF	35,911	EV/EBITDA - GGM	24.4x	20.9x	18.7x
Cost of Debt	2.51%	10-Q	% Enterprise Value	30%				
Terminal Growth	2.25%	Assumption	Implied Enterprise Value	118,528	EV/UFCF - GGM	44.8x	34.6x	29.7x

Share Price Sensitivity Table

		Long-term growth rate						
		1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
W	5.89%	\$386.62	\$404.24	\$424.12	\$446.74	\$472.70	\$502.80	\$538.11
	6.14%	\$364.85	\$380.27	\$397.56	\$417.08	\$439.28	\$464.76	\$494.30
	6.39%	\$345.31	\$358.90	\$374.05	\$391.02	\$410.17	\$431.96	\$456.97
	6.64%	\$327.70	\$339.74	\$353.08	\$367.94	\$384.60	\$403.41	\$424.80
A	6.89%	\$311.73	\$322.45	\$334.28	\$347.37	\$361.96	\$378.32	\$396.78
	7.14%	\$292.88	\$302.48	\$313.00	\$324.61	\$337.47	\$351.79	\$367.85
C	7.39%	\$283.90	\$292.52	\$301.94	\$312.27	\$323.67	\$336.29	\$350.35
	7.64%	\$271.71	\$279.48	\$287.94	\$297.19	\$307.33	\$318.52	\$330.91
C	7.89%	\$260.48	\$267.51	\$275.14	\$283.45	\$292.53	\$302.49	\$313.47
	8.14%	\$250.10	\$256.49	\$263.39	\$270.89	\$279.04	\$287.96	\$297.74
	8.39%	\$240.49	\$246.31	\$252.58	\$259.36	\$266.71	\$274.72	\$283.48

WEIGHTED PRICE TARGET

Price Target
\$357.64
 13.74% Implied Upside

DCF Output - Gordon Growth Model					
WACC	Implied Share Price			\$324.61	30.00%
	2.00%	2.25%	2.50%		
6.84%	\$353.08	\$367.94	\$384.60	Comments	
6.99%	\$334.28	\$347.37	\$361.96		
7.14%	\$313.00	\$324.61	\$337.47		
7.29%	\$301.94	\$312.27	\$323.67		
7.44%	\$287.94	\$297.19	\$307.33		

DCF Output - Exit Multiple Method					
WACC	Implied Share Price			\$324.03	30.00%
	38.5	39.5	40.5		
6.84%	\$335.50	\$341.52	\$347.53	Comments	FY + 1 EV/EBIT - Mean metric used
6.99%	\$328.97	\$334.85	\$340.73		
7.14%	\$318.29	\$324.03	\$329.77		
7.29%	\$316.38	\$321.99	\$327.60		
7.44%	\$310.31	\$315.79	\$321.27		

FY+1 P/E - Median					
FY+1 P/E	Implied Share Price			\$399.05	20.00%
	40.5	\$380.29			
41.5	\$389.67				
42.5	\$399.05				
43.5	\$408.43				
44.5	\$417.81				

FY+2 P/E - Median					
FY+2 P/E	Implied Share Price			\$416.19	20.00%
	35.6	\$394.04			
36.6	\$405.12				
37.6	\$416.19				
38.6	\$427.26				
39.6	\$438.34				

FY+1 EV/EBITDA - Median					
FY+1 EV/EBITDA	Implied Share Price			\$199.16	
	13.0	\$172.42			
14.0	\$185.79				
15.0	\$199.16				
16.0	\$212.54				
17.0	\$225.91				

FY+2 EV/EBITDA - Median					
FY+2 EV/EBITDA	Implied Share Price			\$218.13	
	12.1	\$186.89			
13.1	\$202.51				
14.1	\$218.13				
15.1	\$233.74				
16.1	\$249.36				

RISKS

- Rising cases of the COVID-19 Omicron variant and reimplemented lockdowns may significantly affect the recovery and growth of sales for Estée Lauder, as many of their products are luxury goods or linked with travel and leisure activities
 - The Company must continue increasing e-commerce sales to hedge COVID-19 effects and changing consumer behavior
- Rising interest rates may make the M&A market unfavorable, forcing the Company to innovate new products internally
- Future and current M&A deals may fall through or fail to take advantage of the synergies associated with them to grow
- If the Company does not innovate to meet the trends of the beauty industry, the Company may fall behind competitors
- Supply chain issues may affect Company margins and top-line growth if products fail to reach consumers when needed
 - The Company's price increases to accommodate this disruption may fail due to the price elasticity of their products

BULL CASE

\$403.30

- The Company successfully uses synergies from multiple M&A transactions to grow sales
- Decreasing COVID-19 cases mitigates supply chain disruptions and shutdowns
- The Company innovates its products at a faster rate compared to competitors to meet consumer preferences

BASE CASE

\$357.64

- The Company experiences moderate top and bottom-line growth from M&A transactions
- Supply chain disruptions and retail location shutdowns from COVID-19 impacts moderate
- Estée Lauder innovates its products at a similar pace compared to its competitors and maintains market share

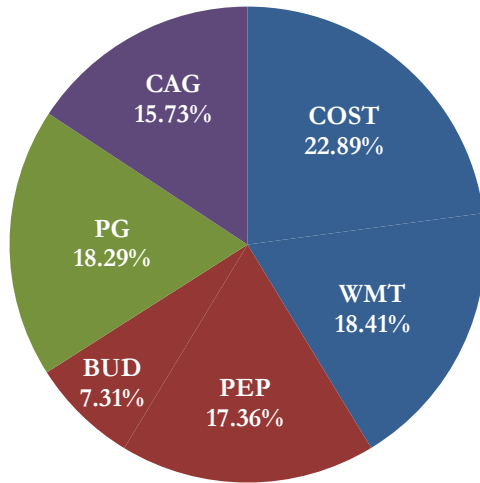
BEAR CASE

\$295.13

- The Company suffers from failed M&A transactions and the costs associated with them, affecting top and bottom lines
- COVID-19 causes more retail store shutdowns, supply chain issues, and travel restrictions
- The Company fails to establish new successful products and loses beauty market share

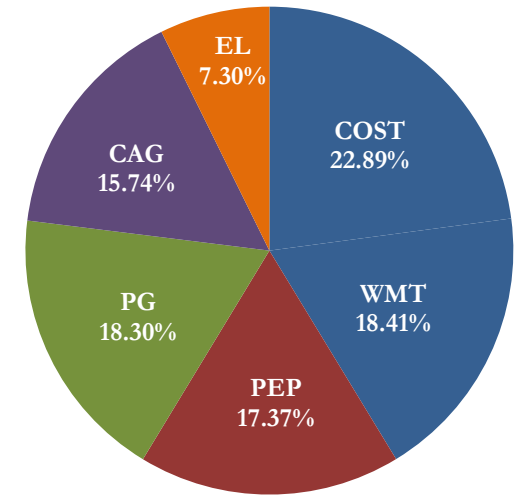
V. SECTOR STRATEGY

Current Portfolio Allocation

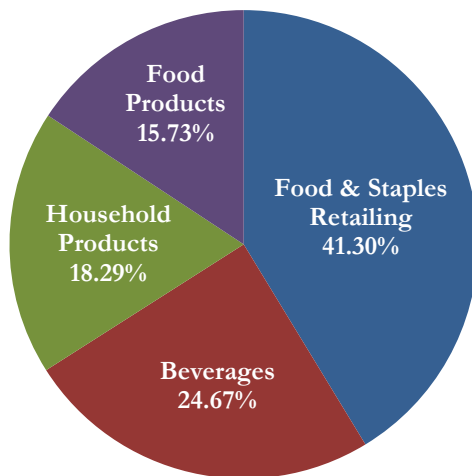


Transaction Summary		
Ticker	Position Change	
	Shares	Allocation
BUD	(950)	(\$58,092.50)
CAG	0	\$0.00
COST	0	\$0.00
PEP	0	\$0.00
PG	0	\$0.00
WMT	0	\$0.00
EL	+ 185	\$57,969.75
	0	\$0.00
	0	\$0.00
Allocation Change		(\$122.75)

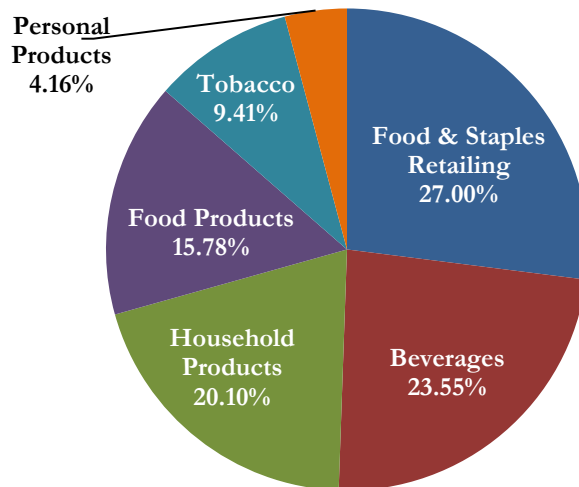
Proposed Portfolio Allocation



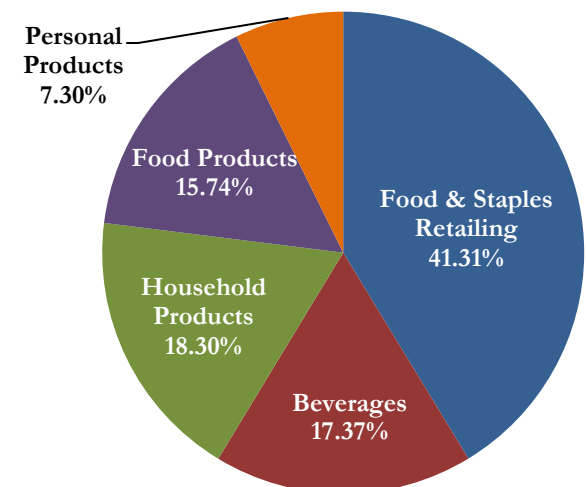
Current Subsector Allocation



Benchmark Subsector Allocation



Proposed Subsector Allocation



SECTOR STRATEGY

Benchmark Statistics

	Before	After
Market Cap	1.18x	1.19x
P/E	1.06x	1.12x
Beta	1.02x	1.09x
Dividend	0.80x	0.80x

Active Exposure vs. Upside Potential

Ticker	Before			
	% in Fund	% in S&P	Active	Upside
BUD	0.41%	0.00%	0.42%	20.29%
CAG	0.89%	0.04%	0.87%	16.01%
COST	1.29%	0.54%	0.78%	3.19%
PEP	0.98%	0.56%	0.44%	16.66%
PG	1.03%	0.91%	0.14%	7.69%
WMT	1.04%	0.91%	0.15%	21.65%
Correlation			(0.30)	

Active Exposure vs. Upside Potential

Ticker	After			
	% in Fund	% in S&P	Active	Upside
CAG	0.89%	0.04%	0.87%	16.01%
COST	1.29%	0.54%	0.78%	3.19%
PEP	0.98%	0.56%	0.44%	16.66%
PG	1.03%	0.91%	0.14%	7.69%
WMT	1.04%	0.91%	0.16%	21.65%
EL	0.41%	0.27%	0.16%	13.74%
Correlation			(0.28)	

Benchmark Components

	Company	Cap ('000s)	Weight
1	Procter & Gamble Company	\$387,199	14.34%
2	Walmart Inc.	\$386,485	14.32%
3	Coca-Cola Company	\$263,347	9.75%
4	PepsiCo, Inc.	\$238,493	8.83%
5	Costco Wholesale Corporation	\$230,483	8.54%
6	Philip Morris International Inc.	\$161,272	5.97%
7	Estee Lauder Companies Inc. Class A	\$112,163	4.15%
8	Mondelez International, Inc. Class A	\$93,491	3.46%
9	Altria Group Inc	\$91,505	3.39%
10	Colgate-Palmolive Company	\$68,372	2.53%
11	Kimberly-Clark Corporation	\$44,680	1.66%
12	Monster Beverage Corporation	\$44,601	1.65%
13	Constellation Brands, Inc. Class A	\$44,434	1.65%
14	Kraft Heinz Company	\$42,535	1.58%
15	Archer-Daniels-Midland Company	\$42,364	1.57%
16	Walgreens Boots Alliance Inc	\$41,955	1.55%
17	Hershey Company	\$41,773	1.55%
18	General Mills, Inc.	\$40,970	1.52%
19	Sysco Corporation	\$40,377	1.50%
20	Kroger Co.	\$32,917	1.22%
21	Brown-Forman Corporation Class B	\$32,157	1.19%
22	Tyson Foods, Inc. Class A	\$31,438	1.16%
23	McCormick & Company, Incorporated	\$27,216	1.01%
24	Hormel Foods Corporation	\$25,490	0.94%
25	Church & Dwight Co., Inc.	\$24,654	0.91%
26	Kellogg Company	\$21,006	0.78%
27	Clorox Company	\$17,374	0.64%
28	Conagra Brands, Inc.	\$16,660	0.62%
29	J.M. Smucker Company	\$14,832	0.55%
30	Campbell Soup Company	\$13,002	0.48%

VI. APPENDIX

