Coty lifts annual profit forecast on resilient demand for luxury cosmetics

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Cosmetics maker Coty Inc raised its full-year profit outlook on resilient demand for its high-end fragrances and skincare products even at a time inflation in most countries has soared to multi-year highs.

Demand for luxury goods has held up as higher prices of everyday essentials have not affected the spending power of the affluent, updates from cosmetics group L'Oreal and Birkin bag maker Hermes have shown in recent days.

Revenue at Coty's prestige division, that houses cosmetics and fragrances from the Hugo Boss, Gucci and Burberry brands, rose 21% to $726.4 million for the third quarter ended March 31.

"(Coty's) prestige brands are seeing phenomenal growth, which means that consumer confidence to buy our brands is intact," Chief Executive Officer Sue Nabi told Reuters.

The company's overall revenue for the third quarter rose 15% to $1.19 billion, beating estimates of $1.15 billion, according to Refinitiv IBES data.

The maker of CoverGirl cosmetics also raised its adjusted earnings per share forecast for fiscal 2022 to between 23 cents and 27 cents from a prior range of 22 cents to 26 cents.

This comes in contrast to rival Estee Lauder's move to lower its earnings forecast partly due to lost sales from pandemic-related lockdowns in China, which account for 36% of its overall business. Coty brought in only 4% of its sales from China last year, although the cosmetics group currently invests heavily in growing its brands there and considers the country a "top priority".

The implied forecast for Coty's fourth quarter is of a per-share loss between 1 cent and 5 cents, according to
The implied forecast for Coty's fourth quarter is of a per-share loss between 1 cent and 5 cents, according to Reuters calculations, as the company deals with the impact of raw material inflation, the Ukraine conflict and Covid-19 curbs in China.

Analysts had expected a fourth-quarter profit of 1 cent per share.