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L'Oreal

L'Oréal considers €1bn sale of The Body Shop

French group acquired ethical British cosmetics business a decade ago



FEBRUARY 8, 2017 by: **Arash Massoudi** in London and **Harriet Agnew** in Paris

L'Oréal (<http://markets.ft.com/data/equities/tearsheet/summary?s=fr:OR>), the French cosmetics giant, is exploring a €1bn sale of The Body Shop, its struggling retail unit, a move that may see it jettison the ethical British skincare business it acquired just over a decade ago.

L'Oréal is working with bankers at Lazard on a review of its options for the unit with an outright sale among the most likely outcomes, according to two people with knowledge of the company's thinking.

The review comes as sales at The Body Shop, which has more than 3,000 stores in 66 countries, have continued to slump in contrast to the rest of L'Oréal's performance. The French group is set to report its 2016 annual results on Thursday and is expected to announce that it has undertaken a strategic review of the asset, these people added. Some private equity suitors have already expressed interest in the business, one of them said.

L'Oréal declined to comment.

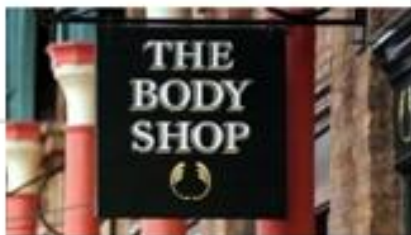
A sale would come 11 years after L'Oréal [agreed to purchase \(http://next.ft.com/content/50f33874-b532-11da-aa90-0000779e2340\)](http://next.ft.com/content/50f33874-b532-11da-aa90-0000779e2340) The Body Shop for £652.3m in March 2006, in what was the first major acquisition by Jean-Paul Agon in the weeks before he formally assumed the role of chief executive.

At the time, L'Oréal regarded the purchase as a way of adapting to growing demand for natural cosmetics. In an [interview \(http://next.ft.com/content/b24e1608-523e-11db-bce6-0000779e2340\)](http://next.ft.com/content/b24e1608-523e-11db-bce6-0000779e2340) with the Financial Times that year, Mr Agon, who is now also chairman of L'Oréal, vowed to push ahead with a huge international expansion of the business, which was already in more than 50 countries and 2,000 stores.

Lombard

€1bn Body Shop? Balmy!
(<http://next.ft.com/content/a82bc3ee-ee0c-11e6-ba01-119a44939bb6>)

Body Shop's anti-capitalist slogan is "Enrich not Exploit", writes Kate Burgess. A sore point, perhaps for L'Oréal, which is not being enriched by owning the lip balm and body butter retailer.



In the first half of last year, like-for-like sales at the Body Shop fell 0.6 per cent to €398.6m compared with the same period the previous year. Operating losses worsened to €22.2m from €7.2m.

The company attributed the difficulties to an economic slowdown in Hong Kong and Saudi Arabia as well as efforts to "reaccelerate the brand". It added that it was pushing ahead with an expansion in its main markets such as the UK, Australia and Canada.

The Body Shop was founded in Brighton in 1976 by social and environmental campaigner [Dame Anita Roddick \(http://next.ft.com/content/f12892ba-5fdd-11de-bofe-0000779fd2ac\)](http://next.ft.com/content/f12892ba-5fdd-11de-bofe-0000779fd2ac) and her husband Gordon as an alternative to traditional cosmetics. The couple wrapped the retailer's identity around its ethical stance on issues including animal testing. The Body Shop accounts for a

small fraction of L'Oréal's overall sales, which were €12.89bn in the first half of 2016. The group is forecast to announce full-year sales of €25.85bn.

L'Oréal pushed further into skincare last month with the acquisition of three US skincare brands for a total of \$1.3bn from Canadian pharmaceutical company Valeant. The three brands, CeraVe, AcneFree and Ambi, have annualised combined revenue of about \$168m.

Hermine de Bentzmann, an analyst at Raymond James, wrote last week that she expects L'Oréal to outperform the market in 2017: "Its diversified profile should remain a competitive advantage . . . together with strong innovation capabilities and an ability to quickly adapt to new market dynamics."