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Avon first quarter results: Brazil potential?

By Lucy Whitehouse +, 16-May-2017

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Avon has released Q1 results for 2017 largely in line with expectations, with revenues down by 1% year on year on a constant dollar basis.

Analysts suggest it may be the difficult market conditions in Brazil, Avon's most important market, holding back the company the most.

Trefis suggests that while Brazil's economy is gradually showing signs of stabilisation, increased competition in a weak beauty market is making conditions tricky for Avon. The company's revenues grew by just 2% year on year in terms of local currency.

However, with Avon having introduced a new digital platform in the country, it is possible its fortunes will begin to pick up as the effects of this more dynamic channel, along with investment in an innovative product portfolio, are felt.

Three year transformation

This year comes as the second in the company's three year Transformation Plan, by which Avon is looking to invest US\$350m in growth, drive out US\$350m in costs and improve financial resilience.

"We will strengthen Avon's position as a leader in beauty, unleash the power of the Avon network, and introduce a new generation of women to a brand we know they will love," the company has said.

As Trefis notes, the company aims in achieving a mid single-digit constant dollar growth in revenue by 1% to 2% and a low double-digit adjusted operating margin by the end of this three-year period. Avon states it is on track to achieve its 2017 cost savings target of \$230 million.

Indeed, Trefis suggests that the company is very much already positioning itself well to achieve its goals:

"In 8 out of its top 10 markets, Avon occupies the first position in being on top of the target customer's minds when it comes to beauty brands. This is expected to be a significant growth driver for the company in the future.

"Along with this, there has been a 20% increase in its social media reach over the last 6 months, with the company garnering around 21 million fans on Facebook, making it the third most popular beauty brand on the platform."

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