Title: Investment recommendation in Loreal

Abstract

The Problem

Research Question-

- ✓ How does the Discounted Cash Flow (DCF) model analysis contribute to determining the financial worth of L’Oreal?
- ✓ What key financial factors and future cash flows should be considered in the evaluation?
- ✓ How does the analysis of L'Oréal's share price provide valuable insights for investors and stakeholders?

Theoretical Framework and Background Information

Investors mainly search for a potentially lucrative return when determining where to put their money. Factors such as profitability, future growth capacity, and seat in the market are main drivers for their decisions, although other features like the competence of management personnel, brand recognition, and industry trends might affect considerations as per Kruschwitz & Löffler (2020). So businesses must show a dependable financial position, an engaging development path forward and a obvious advantage over rivals to attract potential investors.

L'Oreal has achieved substantial success through strategic innovation with an observant customer-first approach. The leading cosmetics manufacturer is present in more than 150 countries and they show consistent financial strength with growing sales profits through time mentioned by Valerio Collantes, (2021). This great productivity undoubtedly signals their readiness to conform to shifts in customer’s desired outcomes as well changes in trends.

L'Oreal's distinctiveness in the market centres on its pledge to ecological and ethical trading practices. It has declared rigorous aspirations to lower its carbon emission boost the sustainability of its commodities, promote equity and incorporation amid its team mentioned by Valerio Collantes, (2021). This tactic has aided L'Oreal to raise their stature among customers with a propensity for conscientious causes. Moreover, it has achieved

wise purchase transactions and partnerships as part of broadening its ubiquity on remarkable markets and also put diverse inventions in rotation.

Design and Methods

This report endeavours to furnish individuals hoping to invest in L'Oreal with useful knowledge. The evaluation will be dependent on discounted cash flow (DCF) modelling, recalling information from the recent five years and predicting upcoming achievement. Furthermore, the particulars benefitting an investment decision concerning L'Oreal will be assessed by reflecting on politics and economics in respect of market value. To foresee L'Oreal's future development, this document will contemplate shifts in consumer behaviour and choices, alongside macroeconomic demonstrations. This report evaluates multiple factors using the DCF method to identify L'Oreal's position in the marketplace and supply advice to interested investors. To implement a discounted cash flow (DCF) analysis in Excel, follow these steps:

- Discount rate is determined by estimating cash flows for each period and determining WACC (weighted average cost of capital)
- Calculate present value (PV) factors using the discount rate formula. Discount projected cash flows to obtain discounted cash flows.
- Calculate the net present value (NPV) by summing discounted cash flows, analyze the investment's terminal value (TV) using multiples or perpetuity growth, discount the TV back to the present,
- Calculate enterprise value by adding discounted TV to NPV, determine equity value by adjusting for net debt and non-operating assets,
- Compute the value per share by dividing equity value by outstanding shares, and compare intrinsic value to market price for valuation assessment.

Data Analysis

An extensive evaluation of L'Oreal is going to be done to demonstrate how variations in the weighted average cost of capital and increased enterprise and stakeholder worth per share may alter the company. A supposed situation will also be studied to highlight suspected pros and downsides in relationship volumes and cost. To go along with that, P/E, EV/EBIT, and EV/EBITDA patterns will be enforced analyzing outputs.

Loreal

The data gathered through discounted cash flow and relative valuation operations will be meticulously checked over to formulate a strong investment proposal of La'Oreal. Combining these results, a definite court of opinion will then be engaged to decide whether La’Loreal should garner a BUY, SELL, or HOLD positing.

Table of Contents

Table of Figures

Table of Graphs

Table of Tables

1.0 Introduction

1.1 Company background

Eugène Schueller founded L'Oréal in 1909, making it a globally renowned beauty company that's based in Clichy, France. It has transformed over time to become the largest cosmetics manufacturer in the world. With products from brands such as Lancôme, Maybelline, Garnier, and L'Oréal Paris, the company works in different segments related to beauty, including skincare, hair care, makeup, and fragrance (About Loreal, 2022). More than 88,000 people work for the company in more than 150 countries. In addition to enhancing people's lives through innovative beauty solutions, L'Oréal also strives to be sustainable and ethical.

Figure 1: Logo of Loreal

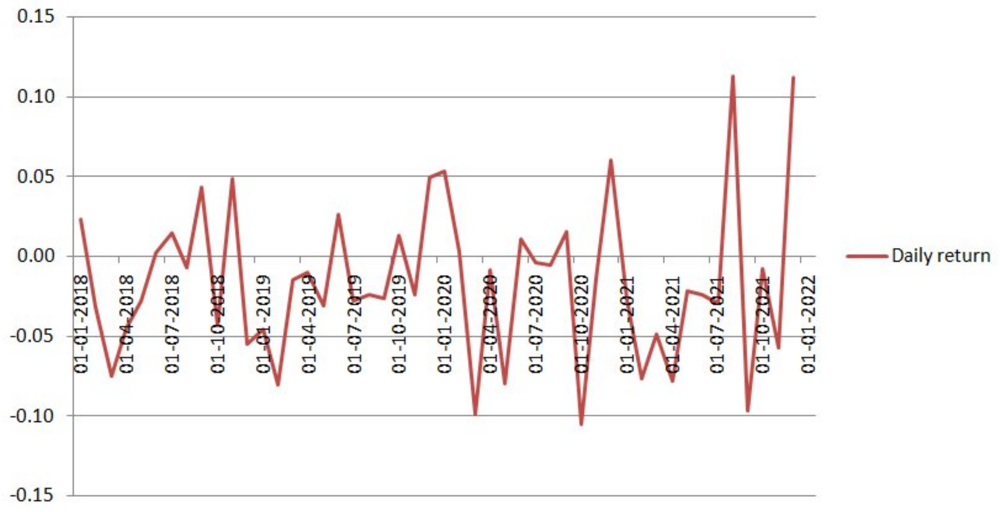
(Source: About Loreal, 2023)

1.2 Loreal corporate strategy

L'Oréal has created a strategy that involves four main focuses. Firstly, offering groundbreaking and high getting it ready excellence close by developing steadily. Second of all, it puts accentuation on being balanced, blending its predominant brands into new regions to address a much bigger number of customers. Thirdly, learning enough about mechanization to make their operations advance and increase the need customers have (Tronchon, 2022). The fourth and concluding component is focusing on maintainability and dependable standards. As a result of these strategic initiatives, L'Oréal continues to maintain its position as a global leader in the beauty industry while driving long-term value creation and growth.

1.3 Company market share in industry

L'Oréal is gifted with enviable authority in the industry of beauty because of its sizeable market share. Its broad array of labels, covering everything from skincare to fragrance, attains patrons across the globe. Its encompassing availability in over 150 countries administers global availability brought to fruition by research and technological advancements resulting in essential services. All of this unquestionably endeavors the establishment of L'Oréal and sustains its presence as innovator number one. By consistently outperforming competitors and maintaining a market leadership position, L'Oréal has established a strong foothold in the industry.



Graph 1: Daily return from shares of Loreal

(Source: self-made by collecting data from Loreal, 2023)

During a time frame of four years (from 2018 to 2022), the daily returns of L'Oréal S.A.(LOR.F) manifested considerable variability. A pattern of both positive and negative growth was discernible since prices progressively went up, as demonstrated in August 2020 (when an increment of 11% was observed) and December 2021 (it followed by a spike of up 11%). Conversely, a decrease was appreciated in months of March and April 2021 giving rise to losses. Market dynamics and investor sentiment contributed to the stock's performance during this period, highlighting the market's volatility and variability.

1.4 Aim, objectives and research question

1.4.1 Aim

The aim of this dissertation is to assess the L'Oréal's financial worth using the Discounted Cash Flow model (DCF), which provides insights into the value of L'Oréal shares and also helps investors to take decisions regarding investing in Loreal’s stocks.

1.4.2 Objectives

Following are the objectives:

- To determine L'Oréal's intrinsic value using the Discounted Cash Flow (DCF) model.
- To assess L'Oréal's financial worth by analyzing key financial factors and future cash flows.
- To analyze L'Oréal's share price and provide valuable insights to investors and stakeholders.

1.4.3 Research questions

Following are the research questions:

- ✓ How does the Discounted Cash Flow (DCF) model analysis contribute to determining the financial worth of L'Oreal?
- ✓ What key financial factors and future cash flows should be considered in the evaluation?
- ✓ How does the analysis of L'Oréal's share price provide valuable insights for investors and stakeholders?

1.5 Discounted Cash flow (DCF) valuation method

The Discounted Cash Flow (DCF) analysis is a common approach to calculating the worthiness of an asset that involves anticipating its upcoming money flow, which is modified to include money's value with time (Brezas, 2022). As the basis of the technique relies on the idea that an investment's worth is derived from envisioned coming money flows. Calculating this necessitates several steps: realizing future revenue increment, deductions, and financial outlay, amongst other factors. In many cases, multiple years are considered when forecasting these cash flows.

In order to gauge its feasibility, the estimated cash flows must be taken and discounted to calculate their present-day value employing a gauge suited for that function. This gauge exploits the risk connected to the investment along with the cost of supplemental savings; a cheaper cost lower substances a bigger risk thus bringing down the present value of the cash output (Yanushevsky, Yanushevsky & Yanushevsky, 2022). The bottom line from this result is referred to as the expected fundamental value of the business venture. On the other hand, an overvalued investment may have a lower intrinsic value than the market price.

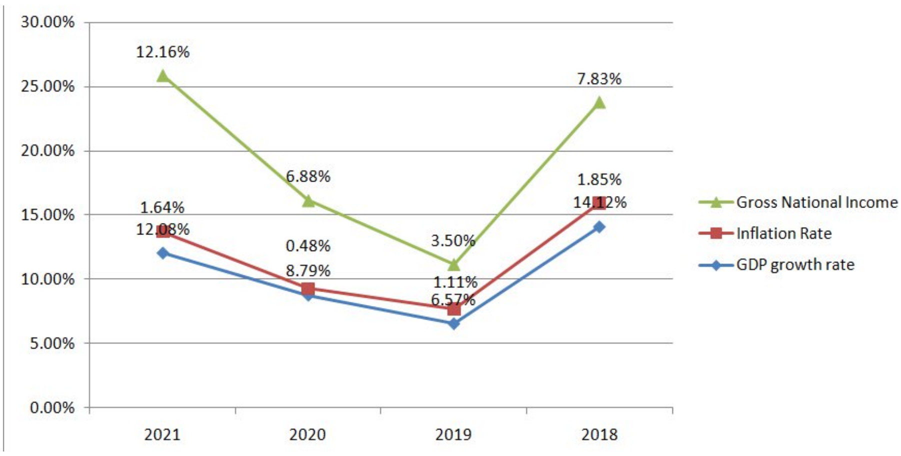
Accuracy and dependability are extremely pertinent for DCF evaluation. Thus, it is critical to assess so as to ascertain the correctness of projected money flows while conclusively establishing the correctness of among-established discount rate (Alfadilla & Dalam, 2023). DCF analysis offers a thorough organization to investors and experts in bidding to reckon the potential matter of an asset founded upon its envisioned spin-offs, allowing informed decisions in the context of selling, buying, or possessing investments.

2.0 External analysis

2.1 General global economic analysis and an industry analysis

The figures specified are related to GDP expansion, consumer price inflation, and GNI for an unnamed nation. For a complete investigation of this topic as in terms of France, more detailed data specific to France would be advantageous. Nonetheless, I can provide general opinions on the set-out indicators. Over the course of the 2018 to 2021 span, a veering in the GDP rise rate of the country under inspection can be ascertained, with the strongest development of 14.12% registered 2018 (France GDP, 2021)_.

The rate of inflation fluctuated within a moderate range over the observed period, varying from 0.48 percent in 2020 to 1.85 percent in 2018 (Inflation Rate, 2021)). This coupled with stable prices indicate a generally positive atmosphere for groundwork for dynamic economic development. GNI or Gross National Income is an indication of money made within a state, counting results from distinct identifiers and beyond their boundaries. Different numbered GNI growth explained steady rise in GNI, mainly observing a booming movement in 2021 with 12.16% (France GNI 1962-2023, 2023). It is important to remember that the numbers presented here only give a general idea of the situation. In order to truly understand what is happening in the French economy, we must have more details about several factors, such as political initiatives, global commerce and how individual sectors are progressing. Figuring into the equation, all these forces could drastically shape how we can interpret these financial data.



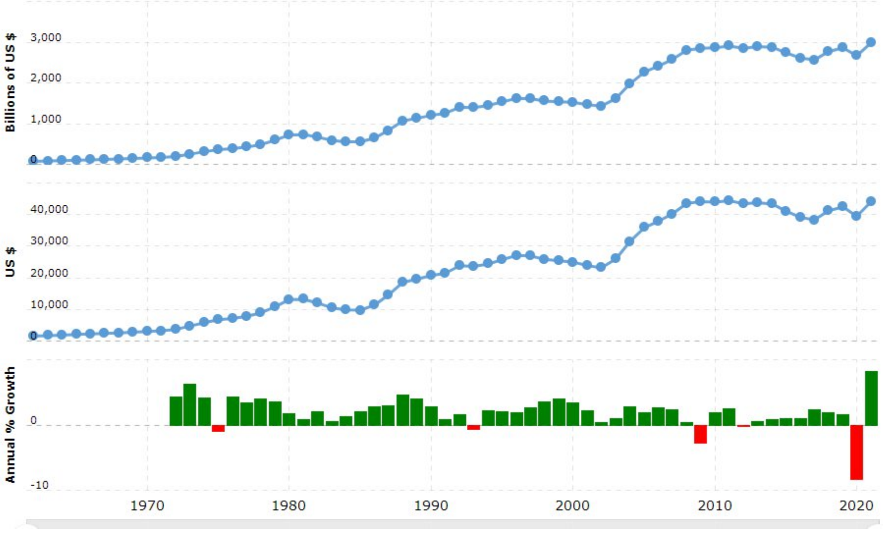
Graph 2: Economy analysis

(Source: From excel)

The growth in Gross Domestic Product (GDP), the rate of increase of prices (inflation), and the level of earnings from around the seemingly astral-shaped nationality can influence L'Oréal's clients, sales persistency, and earnings reasonably. A dynamically upgrading GDP such as that seen in two thousand and eighteen and again in two thousand fully twenty-one can suppose an Overall improvement in the economy conveying about escalating consumer purchasing aptness. Purchasing beauty products without fear of price hikes may make consumers more likely to do so. L'Oréal's revenue growth will be supported by sustained demand for its products.

An increase in the Gross National Income is indicative of income levels among residents increasing. Persons having elevated may levels be keen to splurge more on cosmetics and other personal beauty articles, leading to increased revenue for enterprises like L'Oréal. Notwithstanding, there are several aspects that must not be neglected in comprehension of how the company fares in the market, such as consumer hankering, battle from polar brands, preferred promotional campaigns. As a result, L'Oréal's customer base can be enhanced, product demand is more likely to increase, and revenue growth can be achieved in a favorable economic climate. Strong GDP growth, moderate inflation, and increasing gross national income are correlated to an increase in L'Oréal's customer base, product demand, and revenue growth.

2.2 Gross National income (GNI) and impact on Loreal



Graph 3: France GNI rate

(Source: France GNI 1962-2023, (2023))

Loreal

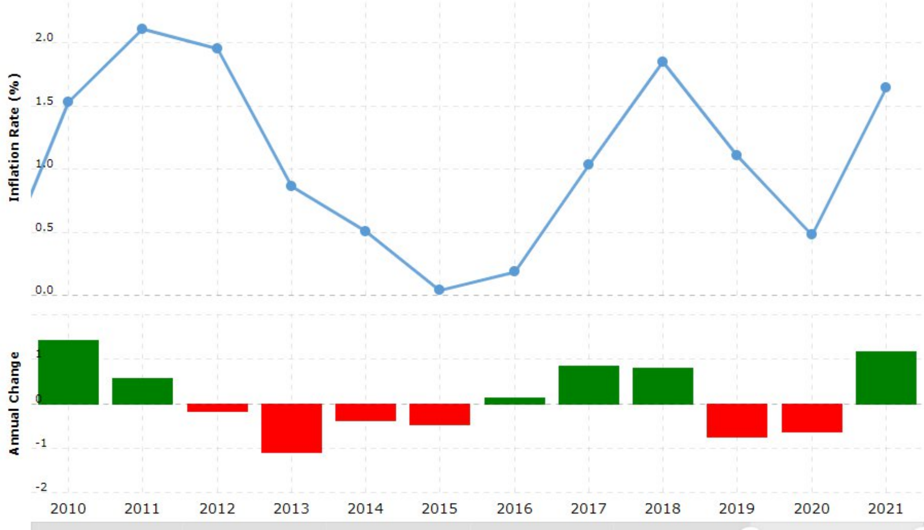
L'Oréal's product demand can be affected by an increase in gross national income (GNI) in France. Higher disposable income can impact consumer behaviour and purchasing power, as GNI represents the overall income generated by residents.

When people have more money in their pockets, they look for ways to use that money on items that bring them pleasure and satisfaction. When it comes to pampering oneself, they turn to cosmetics and beauty items that L'Oréal offers. People with greater financial resources often invest in higher-quality products and diversify their purchases into luxury items to get added value out of their dollar. This drives up demand for L'Oréal's products.

For instance: Lancôme, the luxury skincare brand owned by L'Oréal, have actually gained from having its higher income customers be ready to invest in one of its higher quality anti-aging creams or serums (About Loreal, 2023). Overseas end-users with better disposable incomes might be willing to shell out more to get items that can really impact their skincare routine while also benefiting their wellbeing. Thus it could mean an extension in its client base leading to an uptrend in turnover.

Rising GNI have induced consumer interest in a more diverse line of L'Oréal goods. With the upgraded buying power, customers could be enticed to sample fresh offerings in the house of L'Oréal, for instance, new hair care products from Kérastase or deluxe makeup by Yves Saint Laurent. Such broadening of product inquiries have widened L'Oréal’s portion the market, thus prompting potential financial benefit. It is possible that an increase in GNI will fuel more demand for L'Oréal's premium skincare offerings, such as Lancôme, and promote exploration of their broader range of beauty products, resulting in potential revenue growth.

2.3 Inflation rate and impact on Loreal



Graph 4: France Inflation rate 2010-2021

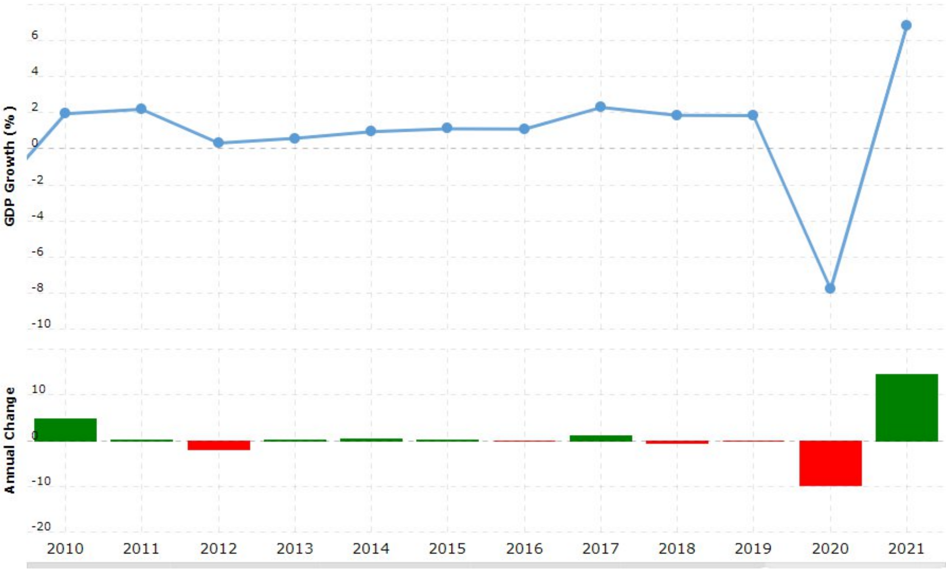
(Source: Inflation Rate, 2021)

The past 10 years have seen France largely maintain a humble level of inflation, but recently, prices have been climbing. This has both pros and cons consequential for L'Oréal, the French cosmetics powerhouse. In a positive light, rising inflation equals brighter avenues of wages for L'Oréal's workers, negating specific financial difficulties that an elevation in same-brand costs compels (Graph 4). Despite this, cost expansions impact everyday purchase requirements, conceivably adding to demands' overwhelming.

In conclusion, L'Oréal has not been heavily afflicted by inflation. Its brand recognition and ubiquity has sheltered it during current money difficulties. Nevertheless, the company still needs to be aware of inflation and its potential to irrevocably lash out against its profitability down the line (Graph 4). In addition to the price and remuneration alterations brought in by inflation, it has further obscure after-effects upon companies.

Inflation's effects on L'Oréal's business can have severe implications. For one, it produces uncertainty, making it harder for businesses to construct goals or plans for the future. Moreover, it erodes trust in the euro, making L'Oréal’s commodities more costly in other countries. Ultimately, dealing with the implications inflation has on L'Oréal is intricate and unpredictable. Cautious management of processes must be implemented in order to keep inflation effects to minimum and for the business to persist its progression.

2.4 GDP growth rate and impact on Loreal



Graph 5: GDP growth rate 2010-2021

(Source: France GDP, 2021)

The past decade saw a tumultuous trajectory in the GDP growth rate of France but recently it has been better. This stabilization has then helped L'Oréal, the French company responsible for cosmetics, for their sales numbers and profit increased accordingly. It became possible because of the stellar efforts of the firm with regards to innovating (Graph 5). New appliances and different varieties have taken over from what was earlier and this whole package keeps them at the top of their respective markets. L'Oréal has also expanded its distribution network in France, allowing consumers to have access to its products more easily.

L'Oréal looks set to benefit from France's economic expansion in the near future, due to its extensive brand recognition as well as the reach of its operation. It is essential for the enterprise to keep experimenting and extend its network for it be able to sustain leadership in the industry (Graph 5). There are several more overlooked consequences that GDP growth can also bring on a business, in addition to potential boosts in profits and turnover.

High economic expansion has advantageous implications in terms of L'Oréal's operations. This can give rise to an improved job environment, which broadens the opportunities for corporate activities. Furthermore, the increased purchasing power created by a heftier GDP raises demand for products and services supplied by enterprises (Graph 5). To sum up, high growth of the Gross Domestic Product is a benefit for L'Oréal, owing to the current revitalization witnessed in France and its lithe capabilities of achieving greater results in the future.

2.5 Political and Economic events

French fiscal initiatives have mattered to companies like L'Oréal, a world-famous personal care business situated in France. Notably, in 2018 the nation issued a digital services tax, charging a levy of 3% to big technology businesses that render specified virtual services (Raftowicz, Kryk & Kurtyka-Marcak, 2021). This article of legislation tormented cross-border businesses such as L'Oréal, since it deals in the digital sector (Raftowicz, Kryk & Kurtyka-Marcak, 2021). Such updates will naturally propelled subsidies of the corporation, yet it resulted unfavorably on L'Oréal's benefits resulting in costly overheads for the organization.

The 2018 Yellow Vest movement, among other impacts, had a noteworthy effect on L'Oréal when it instigated protesters to challenge French fuel tax increases and skyrocketing daily life prices (Goxe & Viegas Pires, 2019). Excruciatingly, the company suffered from faltering of consumer activity, resulting in decreased income and profits within its native territory. However, the business potentially benefited then following alterations in global economic conditions and France's ensuing financial reparation that " got up to speed over the deep financial hole it had stuck in earlier. These salutary circumstances improved communal costs flings that sustained a boot in sales of up to the mark beauty products made by L'Oréal.

L'Oréal has capitalized on its international footprint, lessening the influence from political developments in France. Resorting to their globally expansive resources enables them to stop the detrimental effects associated with regional or nationally beheld matters. If an imminent clash has unfavorable impacts related to foreign trades, counting upon input yields from markets elsewhere successfully sustains financial performance and robust enrichment of capital (Goxe & Viegas Pires, 2019). In essence, contrasting political or fiscal crises in France have simultaneously tested and nourished L'Oréal's companywide advancement. The company's profitability has been negatively impacted by tax reforms and protests, while its growth and resilience have been enhanced by economic recovery and global operations.

2.6 Trade tensions

Trade issues related to France have had implications for firms such as L'Oréal, who have a presence internationally. One incontrovertible event took the form of conflict between the U.S. and various countries such as France, regarding digital taxations. Last year, the Americans foresaw enacting WTO duties on French exquisite items, which could potentially impact export of goods by L'Oréal to U.S shoppers (Calderón Carrillo, 2019). This altercation between nations generated a sense of instability, as well as causing likely money related pitfalls for the company.

The division created by Brexit has contributed to an ongoing parcel of issues, including disruptions to the commerce ties between the European Union and Britain. Much stricter laws surrounding trade, as well as interventions at borders, have caused distractions to production scopes for businesses with outlets in either the EU or UK (Calderón Carrillo, 2019). L'Oréal, a widespread operation in both the United Kingdom and European Union, could have been perturbed due to complex movement of their products, possibly having an influence on their goods and practices.

Despite the ongoing trade tensions, L'Oréal can manage its short- and long-term losses due to its widely distributed personnel and arrangements. Owing to the variety of areas in their world-wide domains, they are able to select vantage points that are not influenced by a given country's relevant negotiations (Withisuphakorn et al., 2019). In doing so when their usual trade arrangements are disrupted, they consequently restore relations by devoting resources to the other available consumer hubs.

The tensions between the U.S. and France have presented challenges for L'Oréal, especially in terms of possible tariffs, supply chain disruptions, and trade barriers (Withisuphakorn et al., 2019). As a result, the company has been able to mitigate negative impacts and explore alternatives by taking advantage of its global presence.

2.7 Porter's five forces of Loreal

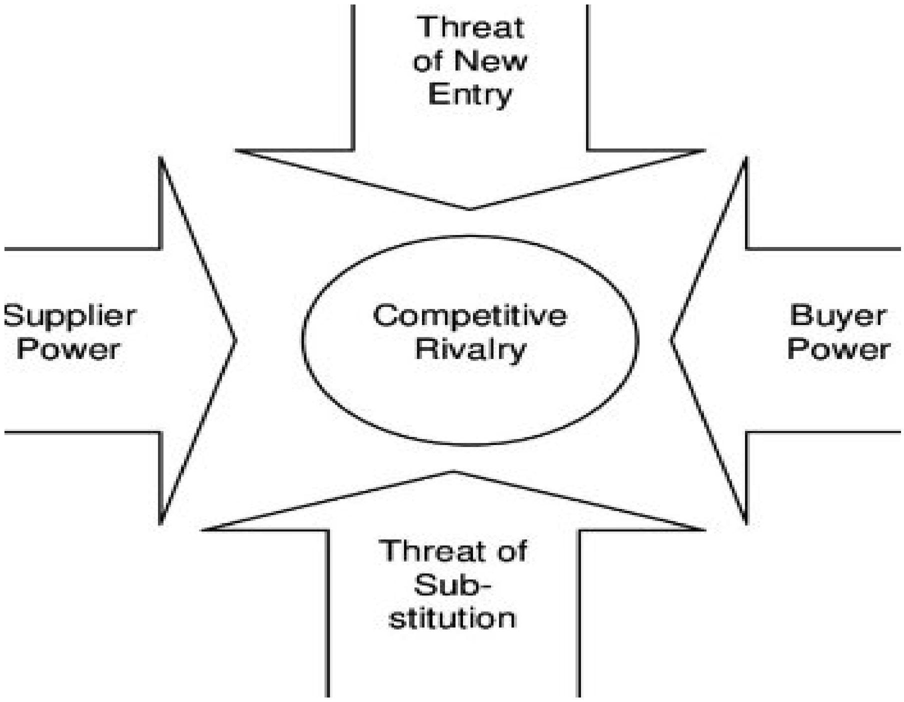


Figure 2: Model of Porter's Five Forces

(Source: Martinez-Contreras et al., 2022)

Force	Description	Impact on L'Oréal
Rivalry among existing firms	Several large and established companies dominate the beauty industry.	In order to stay ahead of the competition, L'Oréal needs to invest in new products and marketing campaigns constantly.
Threat of new entrants	Beauty is an industry with few barriers to entry, making it relatively easy for newcomers to enter.	Profit margins and prices are impacted by this.
Bargaining power of buyers	A lot of beauty products are purchased by large retailers with a lot of negotiating power.	Consequently, L'Oréal should avoid overpricing its products since buyers might switch to a competitor if they are overcharged.
Bargaining power of	There is a moderate level of bargaining power among raw	L'Oréal must avoid relying too heavily on a few key suppliers, which can result

suppliers	material and packaging suppliers for beauty products.	in price hikes or supply disruptions.
Threat of substitutes	In addition to natural cosmetics and home remedies, there are many alternatives to beauty products.	Profit margins and prices are impacted by this.

Table 1: Porter's five forces of Loreal

(Source: Porter Analysis, 2022)

3.0 Internal analysis

3.1 Loreal's Value Proposition

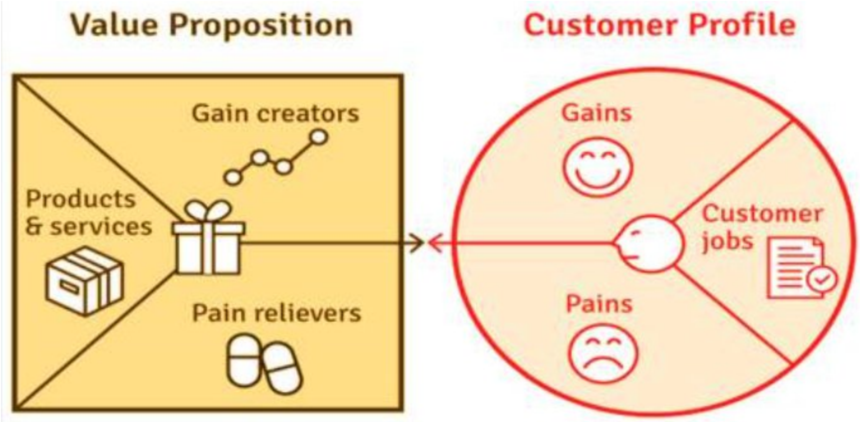


Figure 3: Value Proposition Model

(Source: Chevrollier et al., 2023)

Customer Problem	L'Oréal Benefits	How It's Valuable
Want to look and feel their best	High-quality, innovative beauty products	Help customer's look and feel their best with products that deliver on their promises.
Want to be confident and express their individuality	Wide range of products to choose from	Customers can express their individuality through products that fit their personal style.
Want to be part of a beauty community	Strong brand with a loyal following	Customers feel a sense of belonging when they use products associated with luxury and sophistication.

Table 2: Loreal's Value Proposition

(Source: L'Oréal Group, 2022)

3.2 Comment on performance and corporate strategy of Loreal's key values

Quality: The highest standards of quality are always met by L'Oréal's products. Research and development are heavily invested in by the company, which updates its products constantly with new formulas and technologies. In addition to building a strong reputation for its products, L'Oréal's commitment to quality has contributed to the company's success.

Innovation: New technologies and products are constantly being developed by L'Oréal. With a long track record of successful product launches, the company has launched a number of successful products. As an example, L'Oréal pioneered the development of natural and organic beauty products and was the first company to launch a mass-market anti-aging cream. In order to remain a leader in the beauty industry, L'Oréal has committed itself to innovation.

Choice: In order to satisfy customers' needs, L'Oréal offers a wide selection of products. There are over 300 brands in the company's portfolio, and its products are sold in over 150 countries. L'Oréal has grown due to the wide array of options it offers its customers.

Brand: Its loyal following makes L'Oreal a strong brand. A sense of luxury and sophistication is associated with the company's brands, and customers feel part of a community when they interact with them. It has also helped L'Oréal maintain and attract customers due to its strong brand image.

It is because of L'Oréal's key values that it has grown into a global leader in the beauty industry. In addition to developing a strong reputation, the company's commitment to quality, innovation, choice, and brand has helped it to attract a loyal following of customers. As L'Oréal continues to grow, these values will remain key.

Loreal

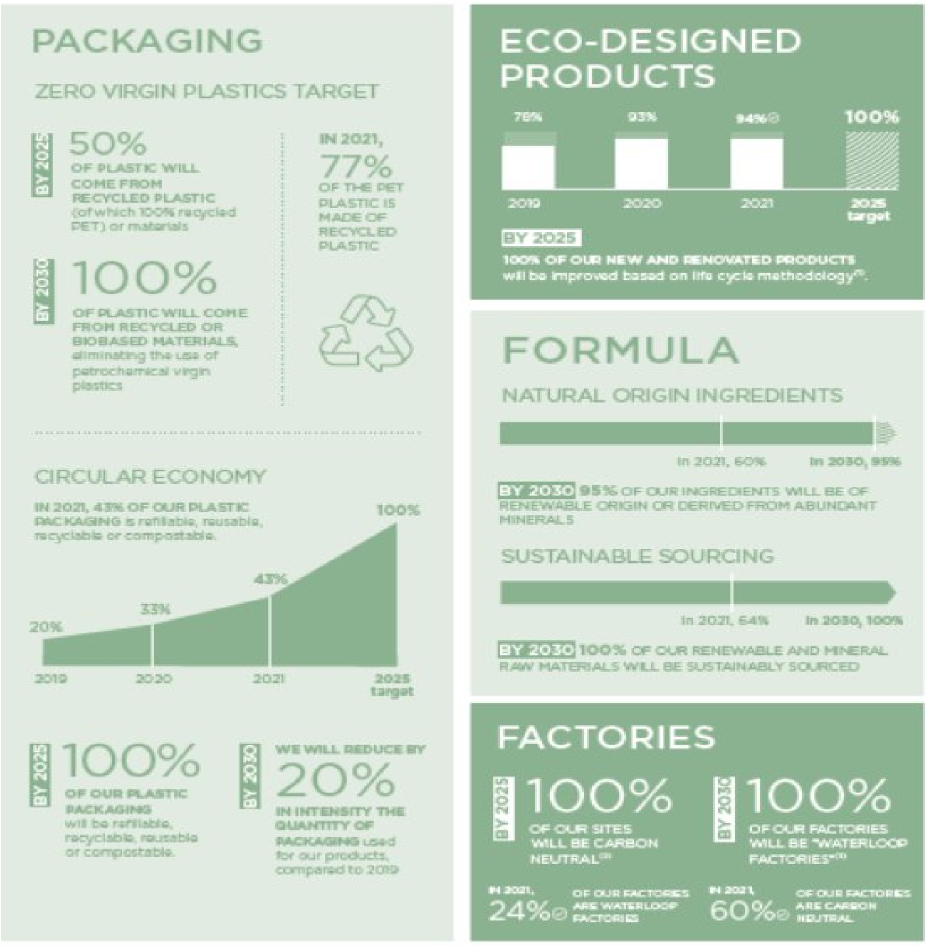


Figure 4: Loreal's CSR strategy

(Source: L'Oréal, 2020)

Additionally, L'Oréal's corporate social responsibility (CSR) program is strong. Taking care of the environment and society is a priority for the company. A carbon neutral goal has been set by L'Oréal by 2025 (Figure 4). Besides reducing water usage and improving packaging sustainability, the company also works to reduce its carbon footprint. L'Oréal's CSR program plays a crucial role in attracting and retaining customers, employees, and investors through its corporate strategy.

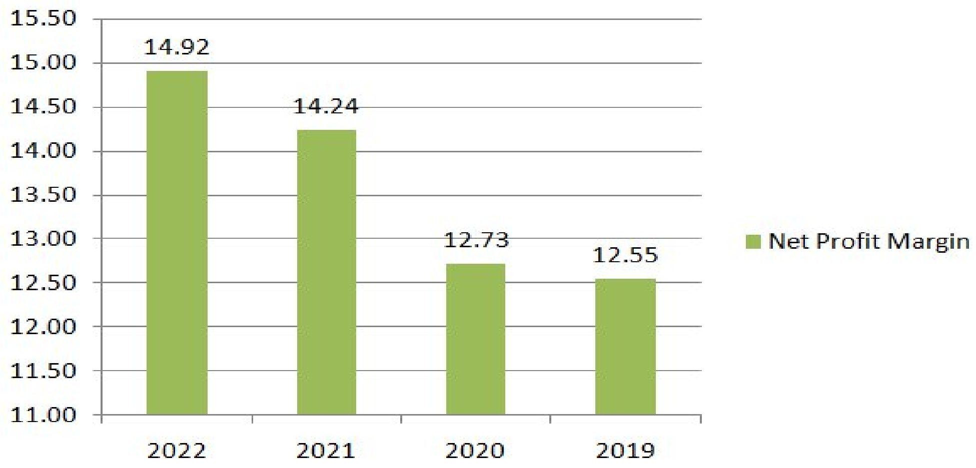
3.3 Financial health

3.3.1 Profitability ratio

Profitability Ratio (Net Profit/Revenue)x100				
	2022	2021	2020	2019
Revenue	3,82,60,600	3,22,87,600	2,79,92,100	2,98,73,600
Net Profit	57,06,600	45,97,100	35,63,400	37,50,000
Net Profit Margin	14.92	14.24	12.73	12.55

Table 3: Table of Net Profit Margin

(Source: Self-Computed by collecting data from Loreal, 2023)



Graph 6: Graph of Net Profit Margin

(Source: From Excel)

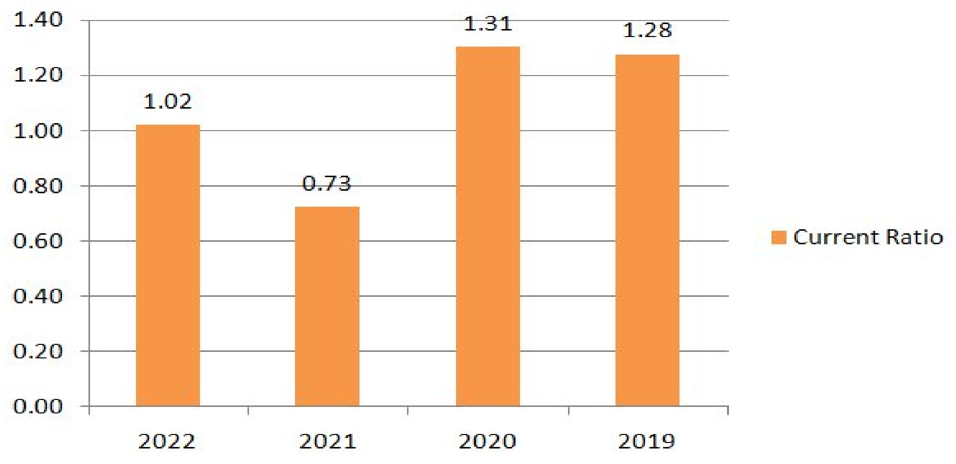
L'Oréal's capacity to exploit profits from its sales can be observed through studying its profitability ratio (calculated by the ratio of net profit to revenue, multiplied by 100). During the progression in time extending from 2019 to 2022, L'Oréal's profitability margin has barely wavered; fluctuating from 12.55% to 14.92% (Graph 6). These results imply that its profit production is both consistent and proportionate to their revenues. During the past winter (2022), L'Oréal accrued a net profit amounting to 57,06,600 from the sale of its goods earned through their total sales of 3,82,60,600, yielding benefits through in a yield reflection of a 14.92% net profit margin. In addition to its effective cost management and strong performance in the market, the company consistently generates profits and maintains a healthy margin.

3.3.2 Liquidity ratio

Liquidity Ratio (Current assets/Current Liabilities)				
	2022	2021	2020	2019
Current Assets	1,40,49,600	1,20,75,800	1,45,60,100	1,39,16,500
Current Liablities	1,37,19,600	1,65,83,200	1,11,30,100	1,08,68,500
Current Ratio	1.02	0.73	1.31	1.28

Table 4: Table of Current Ratio

(Source: Self-Computed by collecting data from Loreal, 2023)



Graph 7: Graph of Current Ratio

(Source: From Excel)

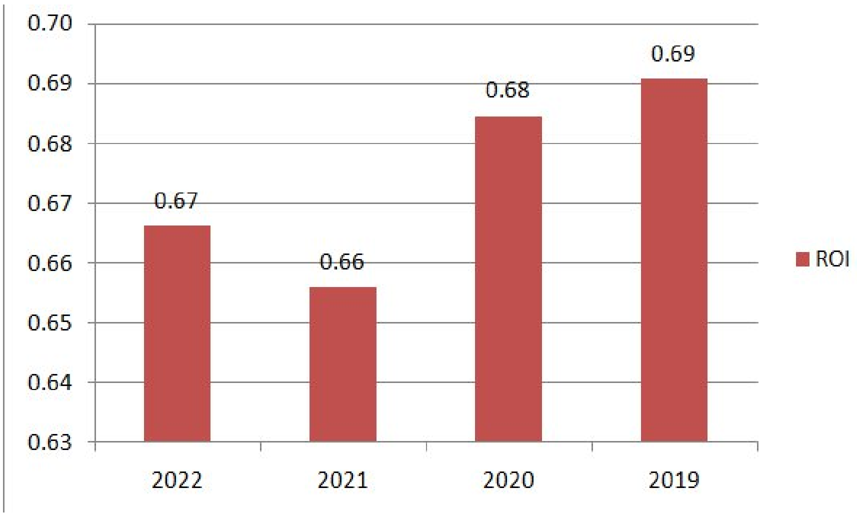
L'Oréal's liquidity rate, worked out by calculating the company's current assets against its current liabilities, gives information about its capacity to honor its brief-term obligations. Through 2019 to 2022, the current ratio of L'Oréal has seen variations. Specifically, in 2022, there were 1,40,49,600 worth of current assets and 1,37,19,600 worth of current liabilities giving what amounted to a ratio of 1.02 (Graph 7). This implies that the short term assets of the company were slightly higher than that of the current liabilities, displaying a fairly steady monetary state. Although the level has shared changes throughout the years, generally the company has held a satisfactory number of available assets to fulfill its short term deeds. For L'Oréal to be able to meet its financial commitments, it must closely monitor its liquidity position.

3.3.3 Return on investment ratio

Return on Investment ratio (Investments/Total assets)				
	2022	2021	2020	2019
Investment	3,12,08,800.00	2,82,15,800.00	2,98,57,900	3,02,70,100
Total Assets	4,68,44,200.0	4,30,13,400.0	4,36,06,900	4,38,09,800
ROI	0.67	0.66	0.68	0.69

Table 5: Table of ROI

(Source: Self-Computed by collecting data from Loreal, 2023)



Graph 8: Graph of ROI

(Source: From Excel)

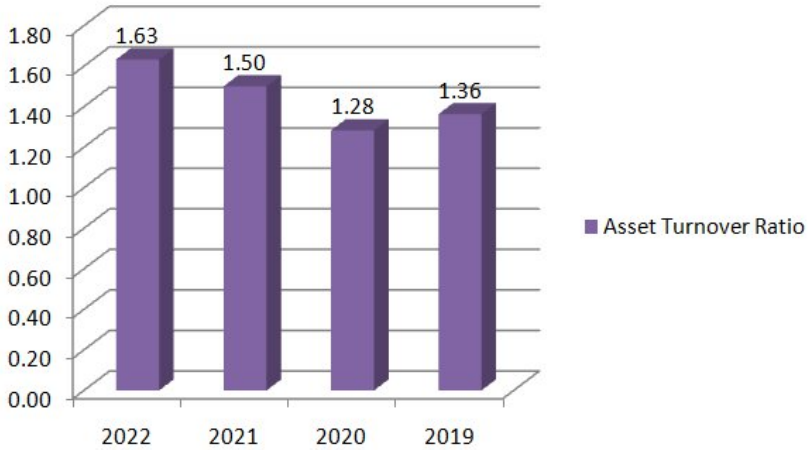
L'Oréal's ROI ratio reflects its capacity to return profits from its investments. This ratio, computed as investments divided by total assets, has stayed stable in the last three years, going anywhere from 0.66 to 0.69. More specifically, in 2022, L'Oréal spent 3,12,08,800, with an overall multi-asset history of 4,68,44,200, generating an ROI of 0.67 (Graph 8). Therefore, each rupee L'Oréal deploys will produce a good profit of more or less 0.67 rupees. L'Oréal has consistently generated satisfying returns on its investments and managed its assets over the years based on its consistent ROI.

3.3.4 Asset turnover ratio

Asset Turnover Ratio (Sales/Average total assets)				
	2022	2021	2020	2019
Sales	3,82,60,600	3,22,87,600	2,79,92,100	2,98,73,600
Average Total Assets	2,34,22,100	2,15,06,700	2,18,03,450	2,19,04,900
Total Assets	4,68,44,200.0	4,30,13,400.0	4,36,06,900.0	4,38,09,800.0
Asset Turnover Ratio	1.63	1.50	1.28	1.36

Table 6: Table of Asset turnover ratio

(Source: Self-Computed by collecting data from Loreal, 2023)



Graph 9: Graph of Asset Turnover Ratio

(Source: From Excel)

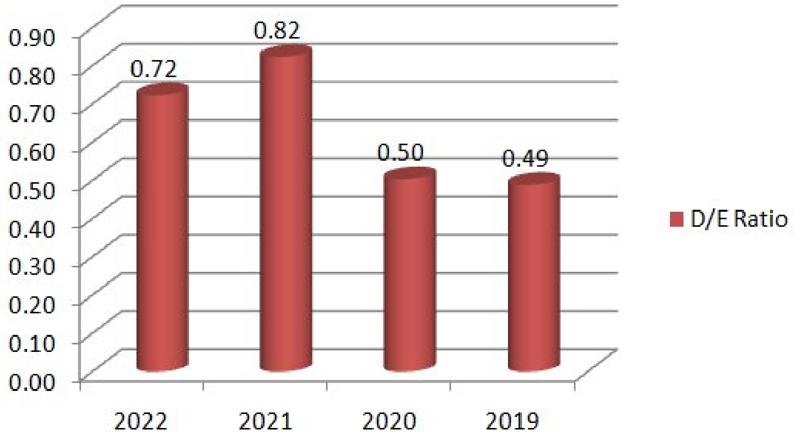
In order to determine the efficiency in generating sales, L'Oréal calculates its Asset Turnover Ratio, which divides sales by average total assets. The Asset Turnover Ratio of L'Oréal has fluctuated between 2019 and 2022. L'Oréal generated sales of 3,82,60,600 in 2022 while having an average total asset value of 2,34,22,100, resulting in an Asset Turnover Ratio of 1.63. For every rupee invested in its average total assets, L'Oréal generated approximately $1.63 in sales (Graph 9). As Asset Turnover Ratio increases, it indicates improved efficiency in utilizing assets to generate sales. Revenue growth and returns on investment have been effectively managed by L'Oréal.

3.3.5 Debt-equity ratio

Debt- Equity Ratio (Total liabilties/Shareholder's Equity)				
	2022	2021	2020	2019
Total Liablities	1,96,57,700	1,94,20,800	1,46,08,100	1,43,83,800
Shareholder's Equity	2,71,78,500	2,35,85,700	2,89,93,000	2,94,19,300
D/E Ratio	0.72	0.82	0.50	0.49

Table 7: Table of Debt-equity ratio

(Source: Self-Computed by collecting data from Loreal, 2023)



Graph 10: Graph of D/E Ratio

(Source: From Excel)

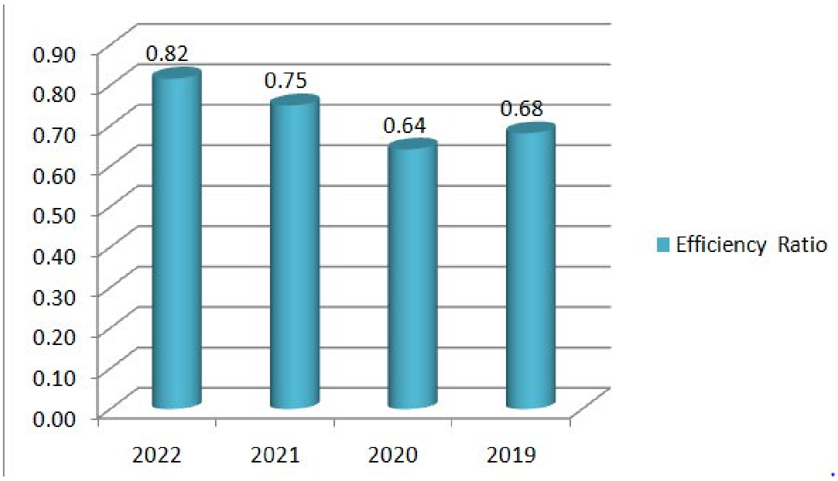
By dividing total liabilities by shareholder equity, L'Oréal's Debt-to-Equity Ratio (D/E) indicates the company's financial leverage and the proportion of debt financing. The D/E Ratio of L'Oréal fluctuated from 2019 to 2022. The total liabilities of L'Oréal in 2022 were 1,96,57,700, while shareholder equity was 2,71,78,500, resulting in a D/E ratio of 0.72 (Graph 10). With more equity financing than debt, L'Oréal has a relatively conservative capital structure. Over time, the D/E Ratio has decreased, indicating that the company has become more stable and less risky in its financial position as a result of less debt financing. As a result of L'Oréal's prudent management of its debt and equity structures, its financial strategy appears to be sound.

3.3.6 Efficiency ratio

Efficiency Ratio (Sales/Total assets)				
	2022	2021	2020	2019
Sales	3,82,60,600	3,22,87,600	2,79,92,100	2,98,73,600
Assets	4,68,44,200	4,30,13,400	4,36,06,900	4,38,09,800
Efficiency Ratio	0.82	0.75	0.64	0.68

Table 8: Table of Efficiency ratio

(Source: Self-Computed by collecting data from Loreal, 2023)



Graph 11: Graph of Efficiency Ratio

(Source: From Excel)

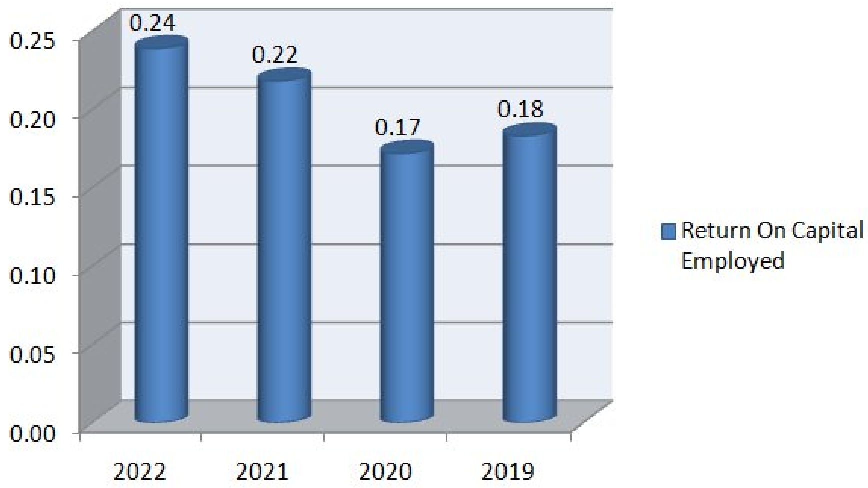
In order to calculate its Efficiency Ratio, L'Oréal divides its sales by its total assets. A fluctuating Efficiency Ratio has been observed for L'Oréal from 2019 to 2022. L'Oréal generated sales of $3,82,60,600 in 2022 and total assets of $4,68,44,200. For every rupee invested in L'Oréal assets, the company generated approximately $0.82 in sales (Graph 11). Based on the increasing Efficiency Ratio, sales have been generated more efficiently over time. In order to drive revenue growth and maximize operational efficiency, L'Oréal has effectively managed its asset base. Sales generated from the company's asset investments are showing a positive trend.

3.3.7 ROCE

ROCE (Net operating profit after tax/Invested Capital)				
	2022	2021	2020	2019
Net operating profit after tax	74,56,800	61,60,400	51,39,000	55,47,500
Invested Capital	3,12,08,800.00	2,82,15,800.00	2,98,57,900.00	3,02,70,100.00
Return On Capital Employed	0.24	0.22	0.17	0.18

Table 9: Table of ROCE ratio

(Source: Self-Computed by collecting data from Loreal, 2023)



Graph 12: Graph of ROCE Ratio

(Source: From Excel)

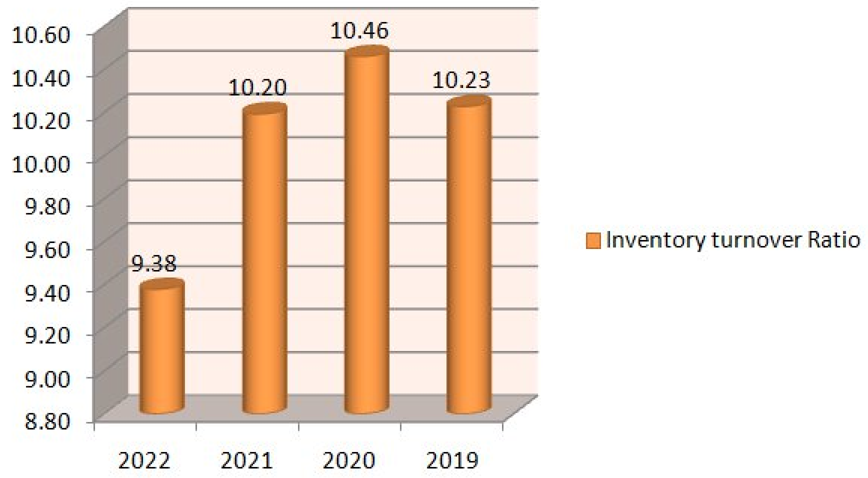
The Return on Capital Employed (ROCE) of L'Oréal indicates how profitable the company's capital investment is. The ROCE of L'Oréal has remained relatively stable from 2019 to 2022. A ROCE of 0.24 was achieved by L'Oréal in 2022, with a net operating profit of 74,56,800 compared to 3,12,08,800 in invested capital (Graph 12). Consequently, for every rupee of capital invested, L'Oréal generated 0.24 rupees of profit. In terms of its capital investment returns and resource utilization efficiency, L'Oréal's ROCE has consistently been high. In addition to reflecting the company's ability to generate earnings from its investments, a positive ROCE indicates a satisfactory level of profitability.

3.3.8 Inventory turnover ratio

Inventory Turnover Ratio (Net sales/inventory)				
	2022	2021	2020	2019
Net Sales	3,82,60,600	3,22,87,600	2,79,92,100	2,98,73,600
Inventory	40,79,400	31,66,900	26,75,800	29,20,800
Inventory turnover Ratio	9.38	10.20	10.46	10.23

Table 10: Table of Inventory turnover ratio

(Source: Self-Computed by collecting data from Loreal, 2023)



Graph 13: Graph of Inventory turnover Ratio

(Source: From Excel)

In addition to measuring the efficiency of L'Oréal's inventory management, the Inventory Turnover Ratio measures how often the company sells and replaces its inventory. There have been some fluctuations in L'Oréal's Inventory Turnover Ratio between 2019 and 2022. A total of $3,82,60,600 in net sales were achieved by L'Oréal in 2022, compared to $40,79,400 in inventories, resulting in an inventory turnover ratio of 9.38. Based on this, L'Oréal changed its inventory approximately 9.38 times during the year (Graph 13). Inventory Turnover Ratios have been declining in recent years, indicating that the company has been managing its inventory more efficiently, which have reduced sales and inventory replacement times. In this way, L'Oréal maximizes sales and minimizes holding costs through effective inventory management.

4.0 Valuation

4.1 WACC

WACC BY USING Ke from DVM					
Type	Amount	Weighting		Cost	WACC
Equity	2,71,78,500	55%	0.2097		0.115172278
Alpha loan	1,96,57,700	40%	0.05022		0.019952901
Bank	26,40,800	5%	0.03078		0.001642861
Total	4,94,77,000			WACC	0.13676804
				OR	13.7%

Cost of Equity using DVM		
D0	0.25	
P0	31.04	
g	0.20	
D0(1+g)	0.3	
D0(1+g) / P0	0.009665	
Ke=[D0(1+g)/P0] + g	0.2097	Cost of Equity Using DVM

				Tax rate	
Cost of Debt			Tax Shield	0.19	
Alpha	Interest	0.062	0.01178	0.05022	cost of debt 1
Swap debt	Interest	0.038	0.00722	0.03078	cost of debt 2

Table 11: WACC of Loreal

(Source: Self-Deliberated by collecting data from Loreal, 2023)

The company's capital is made up of equity, an Alpha loan, and a Bank loan. The cost of investing in equity is computed through the Dividend Valuation Model, and the quote for the cost of the Debt is used "as-is". L'Oreal has more significance placed on Equity in their plan with it representing 55% (Table 11). The number for the cost of Equity is calculated at 0.2097 or 20.97% that suggests the trade off for investors back based on the dividend amounts, current share price, along with prediction of rate for changing.

The Alpha loan comprises a significant percentage (40%) of L'Oreal's overall financing. This debt instrument has a debt cost of 5.022%. Debt expenses of 3.078% when it comes to bank debt represent a smaller proportion (5%) of the total. Both components play a role in contributing to the all-in financing expense when playing a part in determining the Weighted Average Cost of Capital (WACC) (Table 11). This is done using the weights given to each expense element combined with their ensuing cost figures to arrive at the total WACC. In order to calculate the weighted average cost of capital, we multiply the weight of each component by its respective cost and sum them up. L'Oreal's WACC is calculated as 0.13676804, which is 13.68%. Tax rate has a visible effect on the cost of debt enumeration. By multiplying tax rate and each interest due, the efficient cost of debt economically is reduced. Evidently, L'Oreal displays a WACC of 13.68% suggesting they should have an essential return to achieve the selected capital professionals while keeping that asset framework. This data is essential to make evaluations about a proposed mission and acquisition related activities - indicating its financial outcome.

4.2 DCF and Terminal Value

Loreal				
Year	**2022**	**2021**	**2020**	**2019**
FCF	49,35,100	56,53,200	54,80,900	50,31,800
Growth	-13%	3%	9%	

Growth Rate	20%
Averate Growth Rate	-5%

	1	2	3	4	
Year	**2023**	**2024**	**2025**	**2026**	**Terminal Value**
Future FCF	5922120	6783840	6577080	6038160	180645364.39
Discounted FCF (DCF)	5209611.63	5249668.58	4477314.06	3615906.54	108178112.94

Perpetual growth rate	10%
Discount rate	13.68%

Table 12: DCF and Terminal Value

(Source: Self-Deliberated by collecting data from Loreal, 2023)

The information of the free cash flows (FCF) of L'Oreal that offsets the past four years; it ranges from 2022 to 2019. Moreover, the analytics is projected according to their growth rate for the next four years from 2023-2026 (Table 12). As a toke into account the necessity for calculating the worth and enhance long-term finance, a discounted cash wire framework (DCF) investigation should be conducted. Through this strategy, nay incoming redeemable money equalizations will be slightly less important as contrasted with their one-time regards, as an inevitable consequence of the time value of money followed by the DCF system. Previously, we obtained a weighted average cost of capital (WACC) of 13.68%. This is the discount rate that we used in this analysis.

To figure out the future Free Cash Flow of L'Oreal for the following years - 2023 to 2026, we base our estimation on the growth rate which is provided. Subsequently, in order to account for the company's cash flow beyond the projected period, the terminal value calculated using a perpetual 10% growth rate presuming that this figure will stay constant overtime (Table 12). Afterwards, to give an exact calculation of the predictions, The application of the Weighted Average Cost of Capital when subtracting both the Figure throughout Cash Flow forecast together with the Terminal significance. In this way, future cash flows are discounted to present value for each year. L'Oreal's estimated enterprise value is calculated by summing these discounted FCF values and discounted terminal values.

Examining the DCF analysis pertaining to L'Oreal, we can suggest that the forecasted FCF spanning 2023 to 2026 decreases distinctly because of the -13% declination rate in 2022 with a related customary rate of 5% (Table 12). That makes the final value to have elementarily important addition to the entity merit, hinting that presumably the balance elements of L'Oreal will buck the suitable drift period predictions. For added integrity of scheduling, it's hefty to absolute the amendments accompanying the paces by estimating lower discount level and spread the extension liabilities of the implementation comprehensively. Historical data and projections are used to calculate the growth rate, while the WACC calculation is used to determine the discount rate.

4.3 Price per share in 2022 as per DCF model

Sum of future FCF	18552500.81
Cash and cash equivalent	26,40,800
Total debt	1,96,57,700
Equity Value	2,71,78,500
Shares outstanding	535190
DCF price per share	50.78

Table 13: Loreal's price per share as per DCF valuation model

(Source: Self-Deliberated by collecting data from Loreal, 2023)

The cash flows (FCF) of L'Oreal, as taken into account from the provided data, sums up to a total of 18,552,500.81. This company's liquidity where money and other cash aspects are concerned adds up to a grand total of 26,40,800, while their total debt accounts for 1,96,57,700. Lastly, their equity, which was estimated, closed at 2,71,78,500 (Table 13). In order to calculate the value per every stock share using the discounted cash flow analysis (DCF), the total equity calculate is divided by the amount of outstanding stocks. Knowing that the designated concern has 535,190 outstanding shares at the moment, inflationary, one share easily counts for 50.78 per share in overall discounted cash flow cost.

In performing a DCF analysis, the current cash generation forecasts of a company are adjusted to resemble their worth given the current state of market forces. This calculation then produces a osting per share that shows the merit placed at L'Oreal's product gains overtime. Despite the simplistic use of this business model, the correct results are concluded by assuming valid growth levels and discount valuations. It is important to keep in mind other factors like market trends, rivalry, as well as major inconveniences targeting the said enterprise prior to settling on any financial decisions merely based on the DDM (Discounted Cash Flow) stock price (Table 13). To sum it up, taking the provided data into consideration, DDM examination predicts a worth of 50.78inShares associated with L'Oreal. Yet, thoroughly examining additional facets is supported to guarantee a sensible investment conclusion.

4.4 Valuation Measures

Market Cap (intraday)	217.95B
Enterprise Value	220.96B
Trailing P/E	38.44
Forward P/E	33.90
PEG Ratio (5 yr expected)	4.72
Price/Sales (ttm)	5.73
Price/Book (mrq)	8.03
Enterprise Value/Revenue	5.78
Enterprise Value/EBITDA	23.96

Table 14: Valuation measures of Loreal

(Source: from Loreal, 2023)

The metric information available in the market and market methodology assesses L'Oreal. For the most recent day, the market capitalization reveals L'Oreal's overall number of outstanding shares is valued at 217.95B. Agreeably, taking into account a variety of charges and economic clout, the enterprise value surpasses that to 220.96B, reflecting the 'whole-picture' market worth. Moreover, the particular current supply/exchange, which is the P/E proportion appears at 38.44 (Table 14). This showcases an immediate comparison established between the current rate of L'Oreal common stocks as much as its EPS or in other words, profits per share. Taking a move towards the time ahead, upcoming EPS expectation obtains particularity within the proper measure of 33.90 at the P/E quotient significance. Therefore, stock costs are alleged to be higher than their corresponding pay.

The PEG ratio (over five years) is currently 4.72, providing an indication of how highly valued its estimated earnings growth is. If this ratio is greater, it implies that the future projection of earnings growth enjoys an extra financial premium (Table 14). Its price to sales (P/S) ratio is 5.73, which reveals the stock's cost in comparison to revenue per unit. Also the price to book (P/B) ratio- 8.03- is useful for defining the market assessed worth in explanation to book cost per section. Both inventory values can aid gaining understandings about the comparative worth of the stock.

The enterprise value/revenue and enterprise value/EBITDA ratios of 5.78 and 23.96 respectively, provide a look into L'Oreal's valuation and market response (Table 14). These ratios determine the company's full value when compared against its revenue and EBITDA respectively. Investors have to think of these measurements with other quality and elemental indicators while selecting a suitable investment. Doing a comprehensive investigation and study is key to understanding the company's financial status and potential growth management plan.

4.5 Trading information

Beta (5Y Monthly)	0.69
52-Week Change [3]	22.56%
S&P500 52-Week Change [3]	14.65%
52 Week High [3]	442.85
52 Week Low [3]	301.00
50-Day Moving Average [3]	416.98
200-Day Moving Average [3]	372.17

Table 15: Stock price history of Loreal

(Source: from Loreal, 2023)

Studying the data provided gives us an idea of how L'Oreal is doing. A beta of 0.69 suggests the share's level of volatility is lower relative to the general market. Moreover, it's long-term performance stands out; it gained 22.56% over the last 12 months which increased by just 14.65%. L'Oreal's stock had gone as low as 301.00 and as high as 442.85 in the past 52 weeks (Table 15). This is the range it could be bought and sold for over the interim. Analysts have laid out even more specific values. The 50-day moving average gives the approximate average cost of the stock for the last 50 market trading days, coming to 416.98. Similarly, 372.17 is the estimated average for the last 200 trading days established by the 200-day moving average. Both of these can be utilized to identify of both the short- and long-term prospects of the shares.

When evaluating these signals, it is essential to take into account other elements such as the economic stability, future prospect, and the state and details of the industry. It is beneficial to research and check out several angles and points before making any investment judgment (Table 15). Virtually, the market and performance indicators are convenient for onlookers of L'Oreal's stock performance to better comprehend and draw parameters for the decision making process. Hence, investors might prefer to amalgamate with discoveries with an enlightened and wide-ranging assessment of the association for a sound decision.

4.6 Share statistics

Avg Vol (3 month) [3]	389
Avg Vol (10 day) [3]	246
Shares Outstanding [5]	535.19M
Implied Shares Outstanding [6]	N/A
Float [8]	230.34M
% Held by Insiders [1]	56.47%
% Held by Institutions [1]	15.72%

Table 16: Share statistics

(Source: from Loreal, 2023)

The facts provided feature main significations about trading volume, total shares existing, and holding allocation for L'Oreal.The average for 3 months records 389 which implies typical trades per day in this timetable. The regular trading numbers in prior 10 days comes to about 246 which inform us about this company's stock exchanging activity and convenience (Table 16). These figures serve as substantial measure to figure out liquidity and trading designation of L'Oreal securities.

L'Oréal's available numbers show that they have 535.19 million shares outstanding, although the 'implied' value is undiscoverable. Around 230.34 million shares available to the public represents the float, while the share in the possession of those inside the company adds up to 56.47%. On the other hand, institutional shareholders, such as mutual funds and pension funds, own around 15.72%. By comparing all these numbers, one can speculate on the benefits of investing or consider the distinct allocation of ownership.

When analyzing potential indicators for a stock, it is important to remember the environment it is situated in and what is normal amongst other stocks. Elements such as the trading volume and geographical split of two who the ownership of the stock belongs can have dramatic influence on the liquidity of the stock, the trajectory of its price, and basically the faith placed in it as an investment opportunity (Table 16). Consequently, when exploring investing in L'Oreal, special heed should be taken to such indicators, in addition to other overt or covert details allied to the business. Thorough research guidelines, including considering the company's curativeness, revenues and capable of transforming activities in the market, by doing these investments made the right will decisions become expeditious.

4.7 Dividends and splits

Forward Annual Dividend Rate [4]	6
Forward Annual Dividend Yield [4]	1.47%
Trailing Annual Dividend Rate [3]	6.00
Trailing Annual Dividend Yield [3]	1.47%
5 Year Average Dividend Yield [4]	N/A
Payout Ratio [4]	45.24%
Dividend Date [3]	N/A
Ex-Dividend Date [4]	Apr 26, 2023
Last Split Factor [2]	2:1
Last Split Date [3]	May 18, 2017

Table 17: Dividends and Splits

(Source: from Loreal, 2023)

The dividend data associated with L'Oreal provides an understanding of their dividend disbursements and regulations. There is a projected yearly dividend rate of 6.00

attending to each share and a current rate of 1.47%, listing the rate of the disbursement in regards to the absolute rate (Table 17). This 1.47% figure meets the same marker like the prior or trailing rate of the dividend. Needless to say, those results are established on the payments L'Oreal had provided in the course of the past year.

The provided information does not indicate a 5-year average of the dividend yield, thus making it difficult to catch a glimpse of L'Oreal's dividend payment past behaviour. The payout ratio of 45.24% shows the portion of earnings given out in payouts. Having a ratio like that registers that a substantial portion of their sayings is held on for more investments and other related jobs. The exact payout day was not mentioned, but it was said that April 26 of 2023 was the ex-dividend date (Table 17). That is very important as this sets the context for shareholders to collect late payments.

On May 18th, 2017, L'Oreal accomplished a 2:1 stock & stock price split. A splitting of a company's shares heightens the number of entities underneath long-term gain of owners share experiences parallels effects to the proportionate market distribution reduction. Payout gains of investment score extensively concerning repeat projections of deposit-generating activates (Table 17). For indicate purposes to determine a C.O.'s performance durability and expectations of advance granted systems, derived info suggests proprietary repetitiveness & other than what had only been classified to evaluating release currencies data ought to be contemplating. In order to better understand L'Oreal's dividend performance, comprehensive research and analysis are recommended, including an analysis of the company's financial statements and dividend policy.

5.0 Conclusion and Recommendation

5.1 Conclusion

A financial assessment of L'Oréal shows that the company exhibits strong performance internally, externally, and financially. In addition to its robust brand portfolio, the company has developed innovative products and has implemented effective marketing strategies, positioning it as a leader in its industry. In addition to having a global presence and a diverse customer base, L'Oréal is experiencing an increase in demand for beauty products around the world. On a financial level, the company has consistently grown revenues, demonstrated strong profitability, and managed costs effectively. This makes L'Oréal one of the most influential and resilient players in the beauty industry because it leverages internal strengths, adapt to external market trends, and maintain a solid financial performance.

5.2 Recommendation

Investing in L'Oreal requires looking at certain factors, of which the 13.68% Weighted Average Cost of Capital, or WACC, is essential. This value means that for anyone wanting a more resourceful finance exchange, a bigger return than 13.68% must be got. The Discounted Cash Flow (DCF) procedure is used to take into consideration L'Oreal's estimated forthcoming free funds and work out their estimated current worth by means of the stated WACC rate functioning as the cross-off rate. An assumption of perpetual growth rate is also included in the terminal value.

In addition, looking at the metrics, such as the P/E ratio and P/S ratio, is valuable to determine L'Oreal's estimated worth related to its profits and income. Tracking key information like the share data and pricing details enable you to evaluate the potential of the stock and its liquidity. Examining L'Oreal's dividend remainder, individuals may find it has a dividend rate of 6.00 per share and a dividend distribution percentage of 45.24%, suggesting that much of its income is being reinvested. To fully understand L'Oreal's dividend performance, further research and analysis are necessary, including reviewing the company's financial statements and dividend policy.

The internal, external, and financial factors of L'Oréal make it a good investment. As the beauty industry continues to grow, L'Oréal's brand portfolio, innovative product development, and effective marketing strategies will be important to its success. Beauty products are in high demand worldwide, thus providing opportunities for expansion. A consistent revenue growth, a strong profitability, and effective cost management indicate that L'Oréal is financially sound. As a result of L'Oréal's market leadership and resilience, investing in the company can provide long-term returns. It is critical to conduct thorough research before making any investment and to consider individual risk tolerance.

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