



Beauty Care M&A Report - Q2'16

Big Beauty Care Deals, Additional Strategic Acquirers Enter the Mix, and More

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Big Beauty Care Deals, Additional Strategic Acquirers Enter the Mix, and More

The Beauty Care sector posted a terrific quarter with 27 deals disclosed in Q2'16, the highest level of deal activity in over four years. It was only last quarter when we discussed a lack of marquee beauty care transactions and the high volume of small deals—what a difference a quarter makes. In Q2'16, not only was deal volume strong, but the quarter witnessed two major deals, the re-entry of several long-absent strategic buyers, and robust private equity activity.

Q2'16 Beauty Care M&A highlights include:

- Deal volume increased 22.7% in Q2'16 from Q2'15 and 17.4% over Q1'16.
- Johnson & Johnson made major moves in beauty care with the \$3.3 billion acquisition of OGX and purchase of NeoStrata.
- Revlon agreed to acquire Elizabeth Arden only six months after Ron Perelman's disclosure that he was exploring strategic alternatives for Revlon.
- Shiseido re-entered the beauty care M&A landscape with the acquisition of Laura Mercier—its first acquisition since Bare Escentuals in Q1'10.
- Private equity continued its beauty care run with acquisitions by Clayton Dubilier & Rice, Yellow Wood Partners, Riverside Company, Harvest Partners, and Gauge Capital.



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Recently Closed Transactions

Revlon Acquires Elizabeth Arden

Revlon has agreed to acquire Elizabeth Arden, a leading prestige skincare, color cosmetics and fragrance company. The acquisition significantly expands Revlon's product mix, broadens its mass- and salon-focused distribution channel base and provides the company a broader international footprint. The \$14 per share deal is a 50% premium to Elizabeth Arden's stock price prior to the announcement and represents an enterprise value of \$870 million (0.9x multiple of LTM revenue). The transaction follows an announcement from Revlon's Chairman, back in January 2016, that he was exploring strategic alternatives for Revlon and the subsequent hiring of a new CEO. The combined company expects to achieve \$140 million in cost synergies and generate an estimated \$3 billion in annual revenue in 2016. The transaction is expected to close by the end of 2016. Revlon also agreed to acquire the remaining international businesses of the Cutex nail polish removal brand from Coty.



Shiseido Is Back in the M&A Game with the Acquisition of Laura Mercier

Shiseido agreed to acquire Gurwitch Products, owner of the Laura Mercier and ReVive brands, from Alitcor Inc. Laura Mercier, a prestige artist-driven makeup brand, expands Shiseido's footprint in prestige color cosmetics and complements its existing brands, including NARS and bareMinerals. The transaction also includes ReVive, a smaller prestige skincare brand. Gurwitch generated net sales of \$175 million in 2015. According to industry sources, Shiseido agreed to pay \$260 million for Gurwitch, representing an implied revenue multiple of 1.5x. The deal represents Shiseido's first acquisition since suffering a \$287 million impairment loss in April 2013 from the previous acquisition of Bare Escentuals. The transaction is expected to close in Q3'16.



Johnson & Johnson Makes a Big Play in Masstige Hair Care with Acquisition of OGX

Johnson & Johnson agreed to acquire Vogue International for approximately \$3.3 billion. Vogue is a provider of salon-influenced hair care products sold primarily under the OGX brand. The acquisition expands Johnson & Johnson's consumer portfolio which includes Neutrogena, Johnson's, Aveeno, Clean & Clear and Lubriderm. Vogue was owned by its original founder Todd Christopher and private equity group Carlyle Group, which acquired a 49% stake in the company from Todd Christopher in January 2014. The transaction is expected to close in Q3'16.



Clayton, Dubilier & Rice Acquires High Ridge Brands

Private equity group Clayton, Dubilier & Rice acquired High Ridge Brands from Brynwood Partners for \$415 million. High Ridge is a portfolio of value-oriented beauty and personal care brands sold into the mass, food, drug, dollar and club channels. Key brands include Zest, Coast, V05, Rave, Thicker Fuller Hair, LA Looks, Zero Frizz, White Rain, and Salon Grafix. Clayton, Dubilier & Rice plans to leverage the highly scalable High Ridge platform to continue the pursuit of mass-focused beauty and personal care add-on acquisitions.



PDC Brands Continues on Acquisition Trail with Purchase of Original Additions

PDC Brands acquired Original Additions, a London-based beauty care company operating under the Eylure London, Elegant Touch, and Salon System brands. PDC Brands was acquired by Yellow Wood Partners in September 2012 to serve as a beauty care platform in the mass market. Since partnering with Yellow Wood, PDC has acquired eight companies, including Calgon, Dr. Teal's, Cantu, and Bodycology. The acquisition of Original Additions provides PDC an entry into the artificial eyelash and nail categories and expands its international footprint, particularly in the U.K.



Recently Closed Transactions (cont.)

Johnson & Johnson Acquires NeoStrata

Johnson & Johnson agreed to acquire NeoStrata Company, a leader in the dermocosmetics and anti-aging skincare segment. NeoStrata develops and markets clinically-proven, dermatologist developed skincare brands that feature polyhydroxy acid technology, including NeoStrata, Exuviance, CoverBlend and Psorent. The company distributes its products through various retail outlets, physician offices and spas. The acquisition expands Johnson & Johnson's anti-aging skincare segment, which recorded \$3.5 billion in sales in 2015. According to industry sources, NeoStrata generates revenue of approximately \$100 million.



U.K. Investment Firm Permira Acquires John Masters Organics

Permira, a U.K.-based private equity group, acquired a majority stake in John Masters Organics, a provider of natural hair, skin and body care products. John Masters Organics sells to salons, spas, boutiques, natural food and health stores nationwide and maintains a growing international presence with a particularly strong footprint in Japan. According to industry sources, the transaction is valued at approximately \$336 million, representing an estimated revenue multiple of 1.8x.



Sunless Acquires Norvell Skin Solutions

Sunless Inc., a portfolio company of private equity group Riverside Company, acquired Norvell Skin Solutions. Sunless is a leading provider of automated spray tanning systems and self-tanning products under the VersaSpa and Mystic Tan brands. Norvell is a leading provider of professional-applied spray tanning systems under the Norvell and Dancing with the Stars brands. The combined company accounted for approximately 15 million tans last year.



Gauge Capital Makes Strategic Investment in Beauty Industry Group

Gauge Capital, a Texas-based private equity firm, made a strategic investment in Beauty Industry Group. Founded in 2004, Beauty Industry Group is a leading provider of high quality, professionally-installed hair extensions and other related beauty products. The company operates under multiple brands including Babe, Donna Bella Hair, Twisted Fringe, Elixir Cosmetics and Beauty Depot. The company sells through a network of over 40 independent distributors throughout the U.S. and Canada, as well as direct to consumer.



Harvest Partners Invests in Advanced Dermatology & Cosmetic Surgery

Harvest Partners acquired a majority stake in Advanced Dermatology & Cosmetic Surgery (ADCS), a dermatology practice with over 140 offices, from Audax Private Equity. Since Audax purchased the company in 2011, ADCS has completed 40 add-on acquisitions. Harvest seeks to continue ADCS's consolidation strategy in the dermatology space as well as provide expertise for the continued growth and increased scalability of the multi-site business. Both Audax and the ADCS management team retain minority ownership stakes in the company.



Roark Capital Makes Minority Investment in Drybar

Roark Capital Group acquired a minority stake in Drybar, a leading multi-unit chain of blow-dry bar retailers offering blowouts in a unique "non-salon" setting. Founded in 2009, Drybar operates over 60 locations nationally. In 2015, Drybar generated over \$70 million in revenue. Roark Capital invests in high-growth multi-unit businesses including Carl's Jr., Arby's, Corner Bakery, Massage Envy and Orangetheory Fitness. Roark Capital joins other private equity groups Castanea Partners and SPK Capital in the investment group.



Industry News

ULTA Beauty Joins the S&P 500

ULTA Salon, Cosmetics & Fragrance Inc., the largest U.S. beauty retailer of cosmetics, fragrance, skincare, hair care and beauty appliances, recently replaced Tenet Healthcare Corporation in the S&P 500. ULTA (NASDAQ: ULTA) will be added to the specialty stores sub-industry index. ULTA recorded a net sales gain of 23.7% in Q1'16. ULTA joins other beauty and personal care companies on the S&P 500 including Estee Lauder, Procter & Gamble, Church & Dwight, Colgate-Palmolive and Clorox.



Brand Finance Ranks the Top 50 Cosmetics Brands

Brand Finance, a leading independent brand valuation and strategy consultancy, released its annual study ranking the top 50 cosmetics brands worldwide. The top 10 brands include L'Oréal, Gillette, Nivea, Clinique, Chanel, Neutrogena, Garnier, Pantene, Estée Lauder and Dove. L'Oréal ranked first in the category for the third consecutive year. Some of this year's biggest climbers were Clinique, which moved from No. 34 to No. 4 and Neutrogena which rose from No. 19 to No. 6. Some of largest declines included Natura, which fell from No. 14 to No. 34, and Lux, which dropped from No. 27 to No. 43.



Beauty Pitch Finalists Announced

Professional Beauty Association (PBA) announced the return of Beauty Pitch, hosted by Cosmoprof North America. Beauty Pitch allows emerging beauty entrepreneurs to connect with qualified investors earlier in the development cycle. The finalists in the "Established Company" category include P3 Pure, Vanity Girl Hollywood and Whish. The "Startups" category finalists include Flip-It! Cap Company, Purlisse Beauty and Sunlights Balayage. The six Beauty Pitch finalists will present to a live audience and panel of judges, including John Paul DeJoria and Kevin Harrington.



CEW Beauty Insider Awards Revealed

CEW Beauty Insider Awards, an annual contest for the most innovative beauty products, announced its 2016 winners. A total of 38 winners were awarded across 37 categories, ranging from hair dryers to pore strips. The finalists were chosen by over 6,000 beauty industry professionals. While large beauty care companies such as L'Oréal and Estée Lauder dominated the awards, independent brands also made a strong showing, including It Cosmetics for eye treatment, Oribe for hair coloring, T3 Micro for hair tools, Butter London for nail product and Color Wow, which won the "Indie Beauty Brand Award".



Feelunique Raises Capital

Palamon Capital Partners, a \$1.3 billion investment fund, completed a \$28 million capital investment alongside two co-investors, in Feelunique. Founded in 2005, Feelunique operates as an online retailer of hair care, skincare, cosmetics and fragrances selling full-permissioned stock from major beauty care brands including Chanel, Estée Lauder, Lancôme and Dior. Palamon Capital Partners acquired a majority stake in Feelunique in December 2012. The funding will be used to further increase sales in the U.K. as well as expand across Europe.



New Avon Appoints Chief Executive Officer

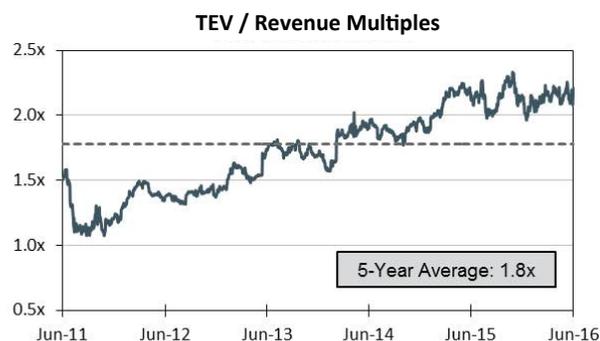
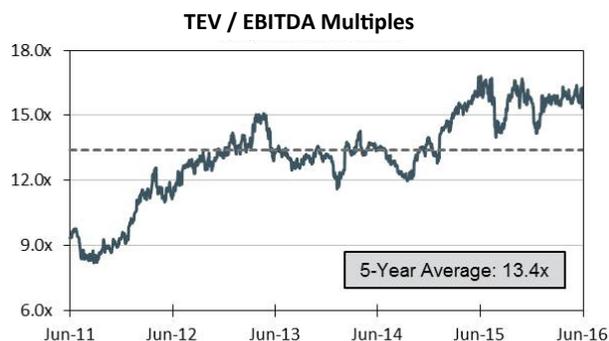
New Avon, a leading North American direct-selling company of beauty and personal care products, appointed Scott White as its new Chief Executive Officer. New Avon recently separated from Avon Products, Inc. through an acquisition by Cerberus Capital Management. Prior to New Avon, Scott White served as President of Abbott Nutrition International and previously spent 15 years at Procter & Gamble.



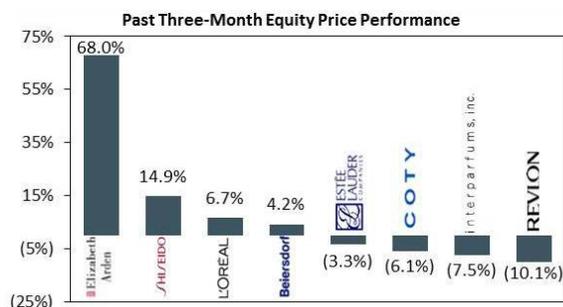
Publicly Traded Companies (USD Millions)

Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
Beiersdorf	\$19,341	\$21,384	\$7,420	58.3%	16.0%	2.6%	2.9%	2.6x	16.2x
COTY	\$12,687	\$8,813	\$4,293	60.8%	17.2%	(2.3%)	(2.6%)	3.0x	17.2x
Elizabeth Arden	\$846	\$412	\$950	43.8%	(0.7%)	(2.2%)	(10.9%)	0.9x	NM
ESTÉE LAUDER COMPANIES	\$34,457	\$33,608	\$11,140	80.6%	18.9%	3.3%	3.0%	3.1x	16.3x
interparfums, inc.	\$856	\$887	\$471	55.2%	14.2%	0.0%	(11.3%)	1.8x	12.8x
L'ORÉAL	\$106,060	\$106,856	\$28,031	71.2%	20.6%	4.5%	3.8%	3.8x	18.3x
REVLON	\$3,316	\$1,692	\$1,915	64.6%	16.4%	1.1%	11.6%	1.7x	10.6x
SHISEIDO	\$10,166	\$10,355	\$9,690	74.2%	9.7%	21.4%	12.6%	1.0x	10.8x
Mean				63.6%	14.0%	3.5%	1.1%	2.2x	14.6x
Median				62.7%	16.2%	1.9%	3.0%	2.2x	16.2x

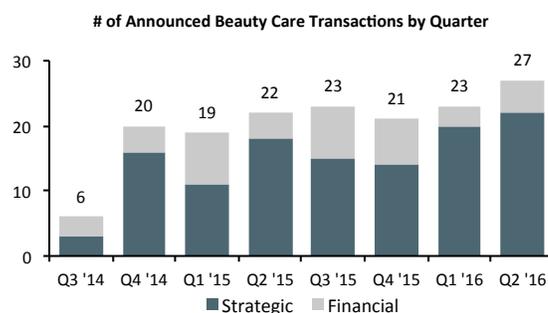
Publicly Traded Companies (USD Millions)



Global Beauty Care Equity Price Performance



Global Beauty Care M&A Transactions



Note: Indices calculated using a median equally-weighted basis. All data sourced from S&P Capital IQ as of 06/30/2016; pending Revlon acquisition of Elizabeth Arden.

Select Transactions



a portfolio company of



has been acquired by



Advisor to PUREOLOGY*

Too Faced

a portfolio company of

WESTON PRESIDIO

has sold a majority stake to



in conjunction with Too Faced founders and senior management

Advisor to Too Faced Cosmetics

CHATTERS

HAIR | BEAUTY | SALON

has been acquired by



in partnership with the existing management team

Advisor to Chatters Canada

Continental Fragrances, Ltd.
dba



has been acquired by



a portfolio company of



Advisor to Continental Fragrances

DAVEXLABS LLC
dba

LANZA®

a portfolio company of



has received a growth equity investment from



in partnership with Chief Executive Officer David Berglass

Advisor to DAVEXLABS

LORAC

has received an investment from



in partnership with management

Advisor to LORAC Cosmetics

enaltus

a portfolio company of



has sold the brand

ScarAway

The Solution for Scar®

to



Advisor to Enaltus

JD Beauty Group



owner of



has obtained a majority investment from



Advisor to JD Beauty Group

product club

has been acquired by



Advisor to Product Club

envy MEDICAL™

has received a growth equity investment from



Advisor to Envy Medical

ALTERNA®
PROFESSIONAL HAIRCARE

has been acquired by

Markham Prestige Group

owners of



Advisor to Alterna*

JOICO

and its subsidiaries

has been acquired by



a subsidiary of



Advisor to JOICO*

*Executed by principals of Intrepid while at previous firms.





Beauty & Personal Care Leadership Team

Cosmetics | Hair Care | Skin Care | Professional Products | Natural Products | Fragrances | Body Care | Accessories



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