



Beauty Care M&A Report - Q2'17

Beauty Care M&A Remains Strong But the Streak Is Over

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Beauty Care M&A Remains Strong But the Streak Is Over

The Beauty Care M&A market remained strong in Q2'17 with 23 transactions, including deal activity from high-profile strategic acquirers such as Unilever, Estée Lauder, and L'Oréal. In addition, private equity beauty care platforms continued to thrive as new ones formed and old ones changed hands. The Beauty Care M&A market also continued to see an influx of minority investments and an increasing volume of early-stage venture funding.

However, the nine quarter streak of increases in deal volume over the prior year period ended with Q2'17 deal volume down slightly over both Q2'16 and Q1'17. Given the high deal volume and continued deal activity, we do not see this as a sign of a slowing Beauty Care M&A market—simply as an unsustainable trend and the end to a fun statistic to watch over the last two years.

Q2'17 Beauty Care M&A highlights include:

- Deal volume declined 15% in Q2'17 from Q2'16 and 8% from Q1'17.
- Unilever continued to be a force on the Beauty Care M&A front with the acquisitions of both Hourglass and Quila's personal care brands.
- L'Oréal was in a rare position as the seller with an agreement to divest The Body Shop to Natura Cosmetics.
- Both Ares and Winona Capital entered the beauty care sector with platform investments while established platform PDC Brands found a new private equity partner in CVC Capital Partners.
- Minority investments remained popular with notable investments from both private equity groups (L Catterton and Sequoia Capital) and traditional strategic acquirers (Estée Lauder and L'Occitane).



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Recently Closed Transactions

Unilever Enters Prestige Color Cosmetics with Acquisition of Hourglass

Unilever announced the acquisition of luxury high-performance color cosmetics brand Hourglass. Founded in 2004 by Carisa Janes, the innovative brand combines active ingredients with color cosmetics to produce ultra-high quality makeup formulations. The brand launched in Barney's during its first year of operation and has successfully gained distribution in high-end retailers including Net-a-porter, Sephora, Space NK, and Harrod's. As a result of its growing distribution and expanding social media presence, Hourglass has secured a loyal consumer following which is driving the brand's reported double-digit growth rate. The acquisition represents Unilever's entry into the color cosmetics category and further expansion into the prestige market. Hourglass joins Ren, Murad, Dermalogica, Kate Somerville, and Living Proof as part of Unilever's prestige division, which launched in 2015. According to industry sources, Hourglass generates net sales of approximately \$70 million and sold for an estimated purchase price of \$250 million to \$300 million, implying a multiple of 3.5x to 4.3x revenue.

hourglass



PDC Brands Finds New Private Equity Partner in CVC to Continue Beauty Care Acquisitions

CVC Capital Partners announced the acquisition of PDC Brands, a rapidly growing beauty and personal care products platform with a portfolio of category-leading mass market brands, from Yellow Wood Partners. PDC Brands was acquired by Yellow Wood Partners in September 2012 to serve as a beauty care platform in the mass market channel. Since partnering with Yellow Wood, PDC has acquired six companies and 10 brands, including Original Additions, Calgon, Salon Grafix, Dr. Teal's, Cantu, Bodycology, and ME! Bath. Today, PDC consists of a portfolio of brands across the hair care, color cosmetics, fragrance, nail care, and bath and body care categories. The company sells to major mass, drug, grocery, and specialty retailers in the U.S. and internationally. PDC generated approximately \$450 million in revenue and \$110 million in EBITDA in 2016. With assumed double-digit growth in 2017, the rumored purchase price of \$1.5 billion implies a revenue multiple more than 3x and an EBITDA multiple of 12x to 13x.

pdc brands
beauty & wellness



Ares Enters Beauty Care Arena with Acquisition of DevaCurl

Ares announced the acquisition of DevaCurl, a leading professional and prestige hair care brand dedicated to curly hair, from Tengram Capital Partners and select company shareholders. The acquisition marks Ares' first investment in the Beauty & Personal Care sector. DevaCurl will serve as the initial investment in creating a broader beauty care platform for the Ares Private Equity Group, which has approximately \$25 billion of assets under management. Founded in 1994, DevaCurl offers a complete line of sulfate, silicone, and paraben-free cleansers, conditioners, styling products and treatments formulated for curly, super curly, and wavy hair. The company sells through professional salon distributors, prestige retail partners including Sephora and Ulta Beauty, company-owned Devachan salons, DevaCurl's Academy, and online. Under the Ares ownership, DevaCurl will focus on further geographic and educational expansion both in the U.S. and internationally. According to industry sources, the transaction values DevaCurl between \$250 million and \$300 million. DevaCurl expects to generate \$65 million in net sales for 2017, representing a revenue multiple of approximately 4.0x to 4.5x.

DevaCurl



Sequoia Capital Acquires Minority Stake in Charlotte Tilbury

Sequoia Capital Partners made a minority growth capital investment in U.K.-based Charlotte Tilbury Beauty, a high-growth hybrid beauty brand offering skin care, color cosmetics, and fragrance products. The brand was founded in 2013 by makeup artist Charlotte Tilbury with backing from angel investors and two U.K.-based private investment firms, Venrex Investment Management and Samos Investments. The brand is currently available at over 70 stores in the U.S., Canada, and Europe including Nordstrom, Selfridges, and Bergdorf Goodman. Charlotte Tilbury maintains two stand-alone stores in London and a growing online presence. The company experienced triple-digit growth in 2016 and has over 1.3 million followers on Instagram. The investment will support the company's plans for broader distribution, including a near term push into the Middle East.



Charlotte Tilbury

SEQUOIA

L'Oréal to Divest The Body Shop to Natura Cosmetics

L'Oréal entered into exclusive negotiations for the sale of The Body Shop to Natura Cosmetics after the Brazilian company made an offer that values The Body Shop at an enterprise value of \$1.1 billion. L'Oréal announced its desire to divest The Body Shop back in Q1 '17 as the brand and retailer has underperformed in growth, operating margins and return on capital relative to L'Oréal due to lack of differentiation and increased competition in the retail Beauty & Personal Care sector. The acquisition allows Natura to further expand its international presence outside Brazil and Latin America and further diversify its channel mix from its traditional direct sales model. The Body Shop aligns well with Natura's focus on natural cosmetics, sustainability, and brand ethics. L'Oréal acquired The Body Shop in 2016 for a reported \$1.1 billion at the then current exchange rate. In 2016, The Body Shop generated net sales of \$1.02 billion, implying a revenue multiple of 1.1x. The transaction is subject to regulatory approval in Brazil and the U.S. and is expected to close in 2017.



Recently Closed Transactions (cont.)

Winona Capital Beauty Platform Invests in Indie Lee

The acquisition of clean beauty brand Indie Lee marks the first investment by the newly established beauty and personal care platform Ancora Holdings, founded through the partnership of beauty industry veterans Nicky Kinnaird and Lori Perella Krebs, and private equity firm Winona Capital. Founded in 2008, Indie Lee is a prestige skin care brand that provides eco-friendly, clean beauty products focused on ingredient transparency and sustainability. Following a health scare caused by topical and toxic skin care products, Indie Lee formed a highly authentic, namesake line of clean beauty products. With prices ranging from \$30 to \$120, the brand rapidly gained distribution across several hundred prestige retail doors, including Saks Fifth Avenue, Anthropologie, Bluemercury, Credo, and The Detox Market. The brand has doubled in size every year since inception. The majority investment will support an increased product offering as well as geographical expansion across the U.S. and Europe.

INDIE LEE



Estée Lauder Invests in DECIEM

The Estée Lauder Companies made a minority investment in DECIEM, a vertically integrated multi-brand skin care company. Founded in 2013, the Canadian-based platform has launched 10 brands, including well-known brands The Ordinary and NIOD. DECIEM offers a broad range of products across multiple price points through company-owned stores, select third-party retailers, online, and on home shopping networks in the U.S., U.K., and Canada. DECIEM operates an in-house laboratory, manufacturing, eCommerce, retail, and marketing infrastructure, allowing rapid speed-to-market with innovative products and brands. Similar to Estée Lauder's last two color cosmetic acquisitions (Too Faced Cosmetics and BECCA Cosmetics), DECIEM targets Millennials through a strong social media presence and digital sales channels. The acquisition will allow DECIEM to expand its global footprint and diversify its customer base, while increasing Estée Lauder's global skin care market share and access to the fast-growing Millennial consumer.

DECIEM



L Catterton Invests in IL MAKIAGE

L Catterton made a \$29 million minority growth capital investment in IL MAKIAGE, a premium professional color cosmetics brand. Founded in 1972 by makeup artist Ilana Harkavi, the brand is positioned at the intersection of luxury and professional color cosmetics. IL MAKIAGE sells through company-owned beauty care boutiques staffed with in-store professional makeup artists offering a personalized shopping experience, including consultation, guidance, and education. In addition, the company operates a network of makeup artist academies. The investment will enable IL MAKIAGE to accelerate expansion in the U.S. IL MAKIAGE adds to the L Catterton roster of global cosmetics investments which include Kopari, TULA, StriVectin, Bliss, Cover FX, and CLIO Cosmetics.



Unilever Acquires Quala's Personal Care Brands

Unilever announced its plans to acquire the personal and home care brands of Latin American consumer goods company Quala. Founded in 1980, Quala's personal and home care portfolio consists of Savital/Savilé (the No. 1 hair care brand in Colombia); eGo (the No. 1 men's hair grooming brand in Colombia and Mexico); Bio-Expert (a natural hair care brand); Fortident (the No. 2 oral care brand in Colombia and Ecuador); and Aromatel (a leading fabric conditioner brand). The portfolio of brands reported combined sales of more than \$400 million. Following an internal strategic review, Quala decided to divest the brands to focus on its core businesses. The acquisition expands Unilever's leading global hair care market share and increases its presence in the oral care and men's grooming sectors, as well as in Latin America.



L'Occitane Invests in LimeLight by Alcone

L'Occitane, France-based international beauty retailer, acquired a 40% stake in LimeLight by Alcone's business in the U.S. Founded in 2015 by the Alcone Company, LimeLight offers natural personalized color cosmetics palettes and skin care collections sold through a distribution network of beauty guides and eCommerce channels. The LimeLight brand fits well with the natural ingredient positioning of the L'Occitane beauty portfolio. Furthermore, the investment accelerates L'Occitane's expansion into the color cosmetics category, increases its presence in the U.S., and advances its omnichannel strategy.



Yes To Receives Minority Investment from Viking Global Investors

Yes To, a natural and efficacious beauty and personal care brand, raised \$56 million from hedge fund Viking Global Investors. Yes To sells skin care, hair care, and body care products in over 25,000 doors across the mass, drug, grocery, specialty, and natural channels. Yes To products are 95% natural and paraben-free with names such as Yes To Carrots and Yes To Cucumbers. The capital infusion will provide certain shareholder liquidity and support the company's continued growth. Viking Global joins existing Yes To investors San Francisco Equity Partners and Simon Equity Partners.



Industry News

CEW Beauty Insider Awards 2017 Winners

CEW Beauty Insider Awards, an annual contest for the most innovative beauty products, announced its 2017 winners. A total of 40 winners were awarded across 27 categories, ranging from moisturizers to cologne. The finalists were chosen by over 6,000 industry professionals. While large multi-national industry players including Estée Lauder and Clinique received ample recognition, indie beauty brands including Milk Makeup, Charlotte Tilbury, and Pharmacy Skincare made a strong showing, among other notable brands including IT Cosmetics, Dior, and Essie.



Forbes Reveals Top Beauty Influencers Worldwide

Forbes revealed its list of the top 10 beauty care digital influencers. The 10 influencers, consisting of seven women and three men, reach a combined 135 million followers across all major social media platforms. The leading influencer is 27-year-old Zoe Suggs from Great Britain, who has 11.6 million YouTube subscribers, a cosmetics line with A.S. Watson's Superdrug, and three bestselling books. Other notable influencers include Michelle Phan, Huda Kattan, Nikkie de Jager, and Jeffree Star, among others.



Unilever Ventures Ramps Up Beauty Care Investment Pace

Unilever Ventures, the venture capital and private equity arm of Unilever, demonstrated an increasing appetite for the Beauty Care sector with three recent investments, including Blow Ltd., Nutrafol, and True Botanicals. Founded in 2013, Blow is an app-based provider of on-demand makeup, nail, and blow dry services by bringing professional stylists to customers' doors. The \$3.5 million investment will support Blow's expansion across the U.K. and Europe. Founded in 2015, Nutrafol is a science-based research and development company that formulates health-based hair care solutions sold through medical, salon, and eCommerce channels. The investment provides Unilever access to a double-digit growth category while furthering Nutrafol's scientific research, product development, and channel expansion. Founded in 2014, True Botanicals is a direct-to-consumer luxury skin care brand focused on eradicating toxic personal care ingredients. Unilever invested a minority stake in True Botanicals as part of an over \$3 million round of seed funding to support technological advancement. To date, Unilever Ventures has invested more than \$450 million in over 40 early-stage businesses, with concentrations in digital and beauty care start-ups.



Investor Urges Nestlé to Sell Stake in L'Oréal

Dan Loeb, billionaire investor and manager of hedge fund Third Point, is urging Nestlé to sell its remaining 23% stake in L'Oréal. After buying more than \$3.5 billion or 1.25% of Nestlé, Third Point sent a letter to Nestlé shareholders indicating that Nestlé should sell its stake in L'Oréal. The letter argued that an ownership position in L'Oréal is not strategic to Nestlé and that shareholders should have a choice to invest in Nestlé, L'Oréal, or a combination. Nestlé's board of directors approved a share buyback program of up to 20 billion Swiss francs, or \$20.74 billion, at current exchange rates. The buyback program, which aligns with Nestlé's focus on profitable growth, margin improvement, and capital efficiency, is expected to be finalized by June 2020.



Glansao Beauty Care Platform Targeting Ultimate Public Market Entry

Alan Ennis, current Glansao CEO and former Revlon President and CEO, is aggressively building a prestige beauty care platform through his partnership with global private equity firm, Warburg Pincus. The Glansao strategy is to build a world-class, global beauty and personal care company by acquiring, integrating, and growing a portfolio of premium brands. Primary acquisition targets include premium brands with sales ranging from \$5 million to \$250 million where the owner desires an ownership stake in the Glansao platform. In late 2016, Glansao acquired Laura Geller, Julep, and Clark's Botanicals. Alan Ennis has stated desires to acquire five to seven prestige beauty care brands and then take the beauty care platform public.



Early-Stage Venture Capital Activity Remains High in the Beauty Care Sector

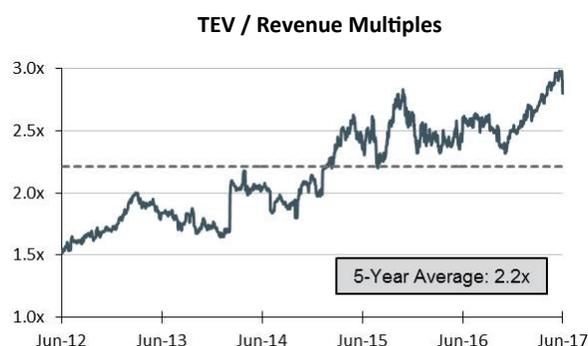
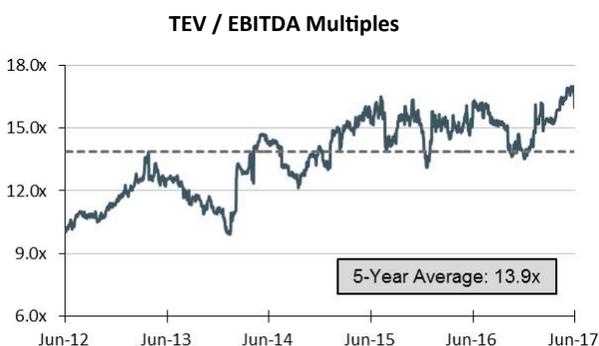
Venture capital continues to flock to fast-growing, digital-based beauty and personal care companies. In addition to investments by Unilever Ventures (see article above), a number of early-stage beauty innovators received funding over the last quarter. Cap Invest, a Luxembourg-based venture capital firm, completed a £3.45 million investment in Pai Skincare, a prestige natural skin care brand formulated with organic materials for sensitive skin. Guthy-Renker invested in a minority stake in Dermaflash, a provider of at-home dermaplaning devices to exfoliate skin. Wander Beauty, provider of luxury color cosmetics for travel, raised a \$4 million Series A funding round led by DGNL Venture, Pritzker Group and Maveron. Founded in 2016 as a luxury men's facial and personal care brand, Oars + Alps raised \$1.3 million in seed financing from Breakout Capital and the Levy family's personal investment vehicle. Oxford Investment Group invested in Katherine Cosmetics, producer of natural, cruelty-free, gluten-free, and paraben-free cosmetics for active women, fusing the cosmetics and fitness industries.



Publicly Traded Companies (USD Millions)

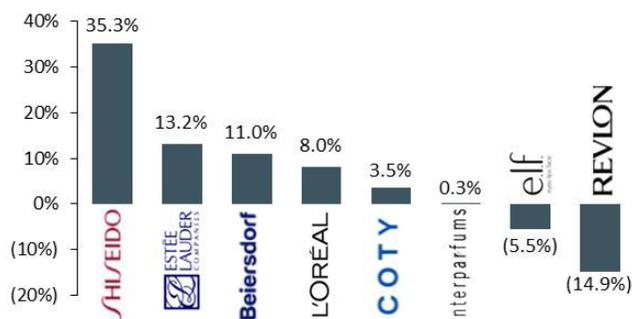
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
 BDF Beiersdorf	\$21,687	\$23,896	\$7,690	58.9%	17.5%	1.7%	3.2%	2.8x	16.1x
 COTY	\$20,888	\$14,026	\$6,485	61.8%	15.3%	49.1%	12.5%	3.2x	21.1x
 elf	\$1,415	\$1,243	\$237	59.4%	15.1%	11.5%	n/a	n/m	n/m
 ESTÉE LAUDER COMPANIES	\$37,376	\$35,304	\$11,576	80.0%	20.3%	2.8%	1.8%	3.2x	15.9x
interparfums	\$1,107	\$1,142	\$553	55.2%	15.6%	13.7%	5.4%	2.0x	12.8x
L'ORÉAL	\$115,551	\$116,153	\$29,427	71.6%	21.1%	2.0%	5.6%	3.9x	18.6x
REVLON	\$3,847	\$1,237	\$2,489	59.6%	12.2%	29.5%	11.6%	1.5x	12.6x
 SHISEIDO	\$14,441	\$14,067	\$7,668	75.7%	8.7%	(11.7%)	4.2%	1.9x	21.6x
Mean				65.3%	15.7%	12.3%	6.3%	2.7x	17.0x
Median				60.7%	15.4%	7.1%	5.4%	2.8x	16.1x

Historical Public Company Trading Multiples



Global Beauty Care Stock Price Performance

Past Three-Month Stock Price Performance



Global Beauty Care M&A Transactions

of Announced Beauty Care Transactions by Quarter



Note: Indices calculated using a median equally-weighted basis excluding e.l.f. Beauty, Inc. (NYSE:ELF). All data sourced from S&P Capital IQ.

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 Scars

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 Team

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



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Intrepid is one of the most active mergers and acquisitions advisors in the Beauty & Personal Care sector. Our team has a deep understanding of trends and value-drivers across the sector, ongoing dialogue with the acquirer and investor universe, and a proven track record of helping clients sell to global strategic acquirers and value-added private equity groups.

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