



Beauty Care M&A Report - Q3'17

Beauty Care M&A on Pace for Another Record Year – Stay Tuned

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Beauty Care M&A on Pace for Another Record Year – Stay Tuned

The Beauty Care M&A market continued its pace to over 100 transactions in 2017 for the second straight year, with 27 transactions in Q3'17. While transaction volume was high, outpacing the last three quarters, the quarter was relatively quiet, primarily comprised of smaller strategic deals – until the last week of the quarter, with Unilever's announced \$2.71 billion acquisition of Carver Korea. We anticipate continued strong Beauty Care M&A volume in Q4'17, but it is too early to call whether the century deal mark will be attained for the year.

Q3'17 Beauty Care M&A highlights include:

- Deal volume increased 17% from Q2'17 but declined almost 4% from Q3'16.
- Unilever continued to be a force in Beauty Care M&A with the acquisition of Carver Korea, representing its third beauty and personal care acquisition of 2017.
- The Hut Group was the most active acquirer of the third quarter with three deals over 24 days.
- Private equity platforms continued to form with the acquisition of Freeman Beauty by Yellow Wood Partners, following its sale of the PDC Brands platform to CVC Capital Partners in Q2'17.
- Venture capital activity continues in the Beauty Care sector.



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Recently Closed Transactions

Yellow Wood Launches its Next Platform with the Acquisition of Freeman Beauty

Yellow Wood Partners announced the acquisition of Freeman Beauty to jumpstart its next beauty care platform, less than two months following the sale of PDC Brands for \$1.425 billion to CVC Capital Partners. Freeman Beauty has established a mass-focused, nature-inspired portfolio of skin care, hair care, foot care and specialty bath and body products, with strong market positions in the mass facial mask and dry shampoo categories. The company maintains broad distribution across the food, drug, mass and specialty channels and sells primarily under its Feeling Beautiful, Beauty Infusion, Psssst!, Bare Foot, C. Booth and Feeling Legendary brands. With its newly launched \$370 million fund, Yellow Wood seeks to recreate the success of its previous PDC platform which consisted of six add-on acquisitions over a five-year period, quadrupling revenue and growing EBITDA by over 5x. Under its Freeman Beauty investment, Yellow Wood seeks to introduce new products into existing categories, expand distribution both in the U.S. and internationally, and pursue complementary add-on acquisitions. Yellow Wood acquired Freeman Beauty in partnership with CEO Jon Achenbaum and the senior management team.



Unilever Continues its Acquisition Spree with Carver Korea

Unilever announced the acquisition of Carver Korea, one of the fastest growing skin care brands in South Korea. Founded in 1999 as a specialty cosmetics supplier to aesthetic salons, Carver Korea is a leading provider of premium, affordable anti-aging eye creams, moisturizers, essences, toners, masks and sun protection products, primarily under its flagship skin care brand A.H.C (Aesthetic Hydration Cosmetics). The company sells cosmetics products in Korea, China and the U.S. through retail stores, live shopping channels, beauty salons, skin care clinics, duty free stores and eCommerce channels. The acquisition of Carver Korea will bolster Unilever's push into the Asian markets and enhances its growing portfolio of premium skin care brands, which includes Murad, Dermalogica, REN and Kate Somerville. Bain and Goldman Sachs jointly acquired 60% of Carver Korea for approximately \$500 million in July 2016, and the company is being sold less than 15 months later to Unilever for \$2.71 billion. Based on reported 2016 results and implied growth in 2017, the acquisition represented a revenue multiple of over 5x and an EBITDA multiple of over 12x. Unilever continues its robust beauty care acquisition campaign, with the Carver Korea deal following the acquisitions of Hourglass Cosmetics and Living Proof in 2017 and Seventh Generation and Dollar Shave Club in 2016.



The Hut Group Completes Three Acquisitions in Q3

The Hut Group was highly acquisitive in Q3'17 with acquisitions of Glossybox, RY and Espa. Founded in 2011, Glossybox is the leading cosmetics subscription service in Europe, growing at a reported 30% annually. Under The Hut Group ownership, Glossybox plans to expand its retail efforts and invest in technological capabilities to support the continued rapid growth of the company. Founded in 2005, RY is Australia's largest online hair and beauty retailer, offering over 250 premium skin care, hair care and cosmetics brands, expanding The Hut Group's geographic reach. Espa, founded in 1992, is a U.K.-based skin care brand sold through high-end retailers, including John Lewis and Harvey Nichols as well as through more than 700 spas and luxury hotels worldwide. The Hut Group acquired Espa for over £100 million from KSL Capital Partners. The acquisitions support The Hut Group's stated goal to become the leading online beauty and healthcare retailer in the world and is in line with its plans to spend £400 million in 2017 for beauty brand acquisitions and technology projects.



BWX Expands its Natural Portfolio with Acquisitions of Mineral Fusion and Nourished Life

BWX Limited (BWXL), a vertically integrated provider of body, hair and skin care products based in Australia, acquired both Mineral Fusion, a natural color cosmetics brand and a portfolio company of North Castle Partners, and Nourished Life, a natural beauty digital retail platform. Mineral Fusion is a provider of natural, mineral-based cosmetics, skin care, nail care, hair care and body care products distributed through more than 3,000 doors across the natural, food, drug, mass and eCommerce channels. The acquisition marks BWX's entry into the North American market, broadens its natural product portfolio to color cosmetics and enhances BWX's existing brand portfolio of Sukin, DermaSukin, Uspa, Edward Beale and Renew Skincare. According to industry sources, BWX acquired the brand for \$43 million including an earn-out, implying a revenue multiple of approximately 1.7x and an EBITDA multiple of more than 12x. Nourished Life is an online retail platform driven by social media, company-operated Websites and third-party online media sources, that exclusively focuses on natural and organic skin care and health and wellness products. The acquisition will allow BWX to leverage Nourished Life's social media and digital assets across the entirety of its brand portfolio. BWX acquired Nourished Life for \$20 million consisting of \$16 million in cash and \$4 million in BWX shares.



Recently Closed Transactions (cont.)

JD Beauty Group Acquires Bio Ionic

JD Beauty Group, the parent company of WetBrush, acquired Bio Ionic, a leading provider of high-performance, electrical beauty tools and appliances for the professional salon industry. Bio Ionic will join JD Beauty's existing portfolio of brands including WetBrush, the No. 1 hair brush brand sold through the professional beauty channel and the fastest growing hair brush brand in the consumer retail channel. The acquisition will further diversify JD Beauty's product offerings across the hair brush, electrical appliance and liquid categories. Under the JD Beauty ownership, Bio Ionic will remain a global, exclusively professional brand. Topspin Partners invested in JD Beauty in 2015 to support continued rapid growth of the beauty care platform. Intrepid advised JD Beauty in the initial investment by Topspin Partners.

BIO:IONIC



tOpspin

Marico Acquires Market Leading South African Ethnic Hair Styling Collection

Following a six year lull in overseas acquisitions, Indian consumer personal care group, Marico, purchased Isoplus, the market leading ethnic hair styling brand in South Africa. Isoplus maintains a reported 27% of the South African ethnic hair styling market driven primarily by oil sheens and styling gels. The Isoplus acquisition complements Marico's existing brand portfolio of Caivil, Black Chic, Just for Kids, Hercules and Medi-Pac, which operate in the hair color, after care maintenance and chemical treatment categories. JM Products and owner Mary Harris divested the manufacturing facilities, working capital and all intellectual property of Isoplus for approximately \$5.6 million, representing a 1.2x multiple of revenue.



ISOPLUS



MARICO

Sequoia Capital Invests Further in Beauty Care with Faces Acquisition

Sequoia Capital acquired a majority stake in Faces Cosmetics Canada (Faces), a Canadian color cosmetics and skin care brand. Private equity firm, Everstone Capital, invested in Faces in 2007 and launched the brand in India in 2009, where the brand quickly grew distribution to more than 900 store-in-stores, 2,000 trade stores and 13 exclusive brand outlets as well as built a strong eCommerce presence. Faces competes against L'Oréal and Unilever-owned Lakme in India, selling over 350 products, developed specifically for Indian skin tones. With the Sequoia investment, Faces plans to strengthen geographic coverage, deepen distribution, expand the product portfolio and leverage the brand to adjacent skin care categories. The investment in Faces closely follows Sequoia's investment in Charlotte Tilbury earlier this year. According to industry sources, the transaction values Faces at approximately \$40 million.

FACES

SEQUOIA

Valeant to Divest Obagi Medical Products

Valeant entered into an agreement to sell Obagi Medical Products (Obagi) to Haitong International Zhonghua Finance Acquisition Fund I LP. Obagi is a provider of professional skin care products designed to help minimize the appearance of premature skin aging, skin damage, hyperpigmentation, acne and sun damage. Obagi products are sold through dermatologists, plastic surgeons, medical spas and other skin care professionals. Valeant acquired the company for \$344 million in 2013 to build its dermatology business, but has recently pursued efforts to streamline operations and reduce debt. The deal is valued at \$190 million, representing a 40% discount to Valeant's purchase price in 2013 and a revenue and EBITDA multiple of 2.2x and only 6.3x, respectively. Valeant previously sold its CeraVe, AcneFree and Ambi brands to L'Oréal for \$1.3 billion in March 2017.

OBAGI
MEDICAL



HAITONG

LB Equity Acquires BLAMtastic

Lucas Brands Equity (LB Equity), a beauty and personal care focused private equity firm, recently acquired BLAMtastic. Founded in 2007 by entrepreneur Renee Sandler and her two daughters, BLAMtastic manufactures and markets natural personal care products, most notably diaper rash sprays, through national food, drug and mass retailers. The investment will enable BLAMtastic to grow distribution, expand product development efforts and augment its management team. This investment complements LB Equity's portfolio of innovative, high-growth beauty and personal care businesses, including MD Complete, Immunologie and botox LABB, among others.

Blam**tastic**
Get Your BLAM On!

LB
EQUITY

Founder Michelle Phan Acquires EM Cosmetics from Ipsy

Divinium Labs, a company owned by social media influencer Michelle Phan, acquired EM Cosmetics from beauty subscription service company, Ipsy, which she previously co-founded in 2011. EM Cosmetics was initially introduced in 2013 in partnership with L'Oréal. Following the initial launch of EM Cosmetics, the brand was well received but criticized for its high-price point and did not perform. In 2015, the social influencer purchased EM Cosmetics from L'Oréal through Ipsy. In April 2017, Michelle Phan relaunched EM Cosmetics, which will initially provide lip creams and eyeliner, with a more accessible approach. Michelle Phan has parted ways with Ipsy to focus on building EM Cosmetics into a global beauty brand.

em
michelle phan

DL

Industry News

Kisaco Research Hosts Inaugural Money & Beauty Summit

Kisaco Research hosted the inaugural Money & Beauty Summit in New York on September 28th to connect independent beauty brands with strategic acquirers, beauty-focused financial sponsors and leading advisory firms. The roster of over 100 independent beauty brands included 12 Indie Spotlight Winners: Surratt Beauty, Scentbird, Dermaflash, Pulp Riot, Beauty Bakerie, Nannette de Gaspé, ZIIP Beauty, Tracie Martyn, Trèstique, AllWork, Dr Roebucks and Olika. Industry experts from Estée Lauder, Johnson & Johnson, L Catterton and Milk Makeup discussed key trends including the impact of social media, the eCommerce revolution, omnichannel distribution strategies and M&A transaction dynamics. Intrepid was in attendance and served as one of the key sponsors for the event.



The Hut Group Secures Funding Valuing Business at \$3.3 Billion

The Hut Group, a fast-growing digital beauty and wellness retailer operating over 140 eCommerce retail sites, signed a deal to sell a \$166 million stake to asset management firm Old Mutual Global Investors, valuing The Hut Group at \$3.3 billion. The retailer is actively focused on acquiring premium beauty care brands that it can leverage through its retail system. The Hut Group completed three acquisitions in Q3'17 and is currently executing on a growth strategy to spend \$500 million on M&A for full year 2017, a 60% increase over last year.



Birchbox Rumored To Be in Acquisition Talks

Birchbox, a leading beauty box subscription service, is exploring strategic options with several retailers following its weak financial performance in 2016 and inability to secure additional capital. Most notably, Co-Founder and Chief Executive Officer, Katia Beauchamp, met with Walmart's Head of eCommerce, who led the acquisitions of online retailers Bonobos, ModCloth and Jet.com. Birchbox has raised over \$80 million in funding since 2010, in addition to previously undisclosed venture debt secured in 2015, which is due in early 2018. According to industry sources, Birchbox has multiple offers to restructure the debt, alleviating any near-term pressure for a strategic sale.



Colorescience Completes Series C Funding Round

Colorescience, a leading mineral cosmetics brand in the doctor and spa channel, successfully completed a \$15 million Series C Preferred Stock financing round. Led by 1315 Capital, the investment will drive continued product innovation and augment management level sales and marketing personnel. The financing round included funding from four healthcare services investors, further reinforcing the company's focus on developing products in the skin health and protection category for the professional channel.



Early-Stage Venture Capital Activity Continues in the Beauty Care Sector

The beauty and personal care market continues to see an increasing volume of early-stage venture funding and an influx of minority investments. Several early-stage indie beauty brands received funding over the last quarter. SAHI Cosmetics, a provider of cosmetics for medium skin tones, received a \$100,000 investment from Zell Lurie Founders Fund for innovative product expansion. Launched in October 2015, Winky Lux, a digital Gen-Z, paraben-free and cruelty-free indie beauty brand, raised \$2 million in seed funding led by Female Founders Fund. The investment will expand digital campaigns, support product innovation and fund the opening of the first Winky Lux pop-up store. FreshTracks Capital completed a \$1 million investment in Ogee, a luxury, organic skin care brand, to support increased distribution into physical retail locations and new product launches. Universal Beauty Group, a French natural cosmetics manufacturer which produces the Végétalement Provence brand for hair salons and beauty professionals, raised \$1.8 million from private equity firm, Audacia, to expand its product portfolio into the skin care and cosmetics categories, support production and marketing infrastructure and increase operations and distribution globally.



Amazon Beauty Sales Increased Over 40% in Key Markets

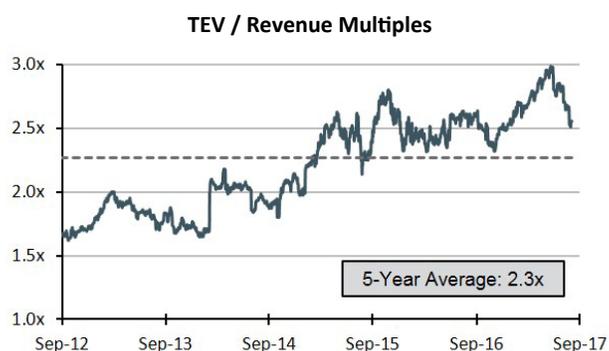
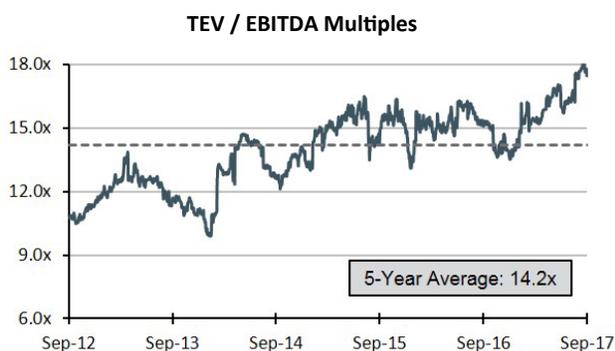
Amazon Beauty is rapidly changing the beauty care distribution landscape and is a widely accepted distribution partner for brands historically native to the professional and retail channels. Amazon Beauty grew by 43% across the U.S., U.K., Germany, Canada and France. The U.S. represented the largest market for Amazon Beauty with \$340 million in sales, a 40% increase over last year. Skin care ranked the top category across all markets with the exception of France, where cosmetics ranked first. In the U.S. and Canada, mass cosmetics experienced the highest growth. Amazon Beauty is expected to continue to gain market share driven by brand loyalty, increased awareness, the shift in consumer shopping patterns and convenience of Amazon Prime and Amazon Prime subscription services.



Publicly Traded Companies (USD Millions)

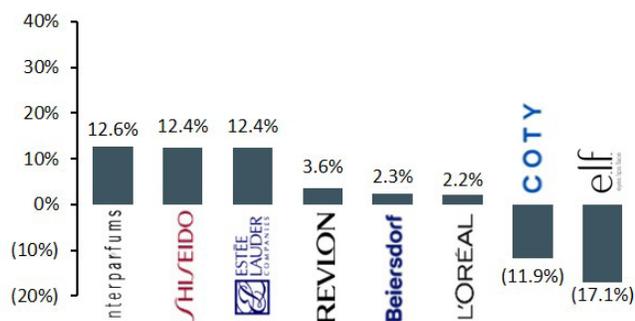
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
 Beiersdorf	\$22,041	\$24,177	\$8,088	59.2%	17.9%	3.0%	3.8%	2.7x	15.3x
 COTY	\$19,537	\$12,381	\$7,650	62.4%	13.5%	77.2%	18.9%	2.6x	19.0x
 elf	\$1,211	\$1,040	\$249	61.0%	15.6%	14.0%	n/a	n/m	n/m
 ESTÉE LAUDER COMPANIES	\$41,589	\$39,743	\$11,824	79.5%	19.9%	4.7%	2.7%	3.5x	17.7x
 interparfums	\$1,239	\$1,286	\$565	55.9%	15.8%	11.9%	5.6%	2.2x	13.9x
 L'ORÉAL	\$119,597	\$117,854	\$31,327	71.3%	21.1%	6.2%	6.3%	3.8x	18.1x
 REVLON	\$3,984	\$1,292	\$2,646	58.9%	11.1%	28.8%	11.1%	1.5x	13.6x
 SHISEIDO	\$16,125	\$15,961	\$8,077	76.1%	10.3%	(7.6%)	5.9%	2.0x	19.4x
			Mean	65.5%	15.6%	17.3%	7.7%	2.6x	16.7x
			Median	61.7%	15.7%	9.1%	5.9%	2.6x	17.7x

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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