

# Beauty Care M&A Volume Strong but Deal Quality Lags in First Quarter 2016

## Beauty Care M&A Volume Strong but Deal Quality Lags in First Quarter 2016

M&A activity in the Beauty Care sector posted strong results in the first quarter of 2016 with 23 closed deals, matching the previous high over the past three years. While deal volume showed strength, quality fell short, with no marquee beauty care transactions, limited private equity activity, and a high volume of smaller deals. However, based on market conversations and our own beauty care client roster and pipeline, the quality of the deal flow began to improve in the second half of Q1'16. We expect improvement in Q2 and a very strong second half of 2016. Case in point, the Paula's Choice and Strength of Nature deals highlighted herein were announced days after the quarter end.

### *Q1'16 Beauty Care M&A highlights include:*

- Deal volume in Q1'16 rose 21% from Q1'15 and posted a 10% increase over Q4'15.
- Procter & Gamble continued its planned divestment of non-core beauty and personal care brands with sales to Henkel, Johnson & Johnson and Kimberly-Clark.
- Strategic buyers dominated the M&A landscape with activity from Estée Lauder, Godrej Consumer Products, Henkel, Nestlé Skin Health and L'Oréal.
- Private equity remained relatively silent throughout the quarter with no platform additions (note that it was reported that TA Associates would buy Paula's Choice just after the quarter ended).

The year is off to a good start—we believe the best is yet to come in 2016!

*Thank you,*

A handwritten signature in black ink, appearing to read "SD", is positioned above the name Steve Davis.

**Steve Davis**

Managing Director  
Head of Beauty & Personal Care  
sdavis@intrepidib.com

## Recently Closed Transactions

### Henkel Acquires Select Hair Care Brands from P&G

Henkel agreed to acquire select hair care brands including Pert, Shamtu and Blendax from Procter & Gamble. The brands maintain leading positions in the entry-level price segments, with a focus on the Africa, Middle East and Eastern Europe regions, and generate sales of approximately \$100 million. The acquisition further expands Henkel's footprint in emerging markets and strengthens its position in the hair care category. Henkel previously acquired the Pert brand in Latin America from P&G in May 2014.



### P&G Continues to Divest Non-Core Beauty and Personal Care Assets

Procter & Gamble announced the sale of Hipoglós, a Latin American diaper rash cream brand, to Johnson & Johnson. In February 2016, P&G agreed to sell Escudo, a Mexican and Latin American soap brand, to Kimberly-Clark. As previously reported, P&G has embarked on a plan to divest slow growing, non-core beauty brands (see Beauty Care M&A Report Q3'14).



### Groupe Marcelle Acquires Lise Watier Cosmétiques

Groupe Marcelle, a manufacturer of cosmetic, skin care and fragrance products under the Marcelle, Annabelle and CW Beggs and Sons brands, acquired Lise Watier Cosmétiques. Lise Watier, a portfolio company of Imperial Capital, is a prestige developer and manufacturer of cosmetics, skin care and fragrances sold through department stores and drugstores. According to the company, the acquisition enables Groupe Marcelle to become one of the leading beauty care companies in Canada.



### Nestlé Skin Health to Acquire Majority Interest in Proactiv in JV with Guthy-Renker

Nestlé Skin will acquire a majority interest in a joint venture (JV) with Guthy-Renker that will include the Guthy-Renker non-prescription acne-treatment skin care brand Proactiv. The JV will focus on driving sales of the Proactiv brand and developing additional products focused on the global consumer acne market. The JV will combine the research expertise of Nestlé Skin with the distribution and direct marketing capabilities of Guthy-Renker. According to industry sources, the Proactiv brand generates revenue of approximately \$1 billion.



### Paula's Choice to Partner with New Private Equity Group

TA Associates, a Boston-based private equity group focused on high-growth companies, received clearance from the Federal Trade Commission to acquire an ownership stake in Paula's Choice from Bertram Capital. Paula's Choice is a branded skin care and cosmetics company with a content-driven ecommerce platform offering proprietary products, extensive skin care research and exclusive reviews of more than 45,000 products from other brands. Bertram Capital invested in Paula's Choice in 2012.



### Cosmetic Design Group Acquires a Majority Stake in Per-fékt Beauty

Cosmetic Design Group, a provider of custom cosmetic design and turnkey solutions to beauty retailers, has acquired a majority stake in Per-fékt Beauty. Per-fékt Beauty manufactures multi-function makeup and skin care products sold to over 700 premium and independent retail outlets including Sephora, Ulta, Beauty Brands, and Fred Segal. In 2015, Cosmetic Design Group received a growth capital investment from Five Crowns Capital and Corbel Structured Equity Partners.





## Recently Closed Transactions (cont.)

### Godrej Continues Acquisition Push with Investment in Strength of Nature

Godrej Consumer Products announced the acquisition of Strength of Nature, one of the leaders in the multicultural haircare industry with brands such as African Pride, Beautiful Textures, Elasta QP, Proline, Soft & Beautiful, TCB, Motions and Just for Me. Godrej is a leading India-based consumer goods company with a strong worldwide share of the hair color and weaves/extensions market and a geographic focus on Asia, Africa and Latin America. The acquisition will expand Godrej's market share in the multicultural haircare market and offers the company an important on-ground presence in the U.S. Earlier in Q1'16, Godrej entered into an agreement to acquire a majority stake in Canon Chemicals, a Kenya-based manufacturer of personal care products.



### Estée Lauder Acquires By Kilian

Founded in 2007 by Kilian Hennessy, By Kilian, a French manufacturer of prestige fragrances, was acquired by Estée Lauder in February. By Kilian sells perfumes, candles and scented accessories through freestanding stores, prestige department stores and perfumeries across more than 40 countries primarily in Europe, North America and the Middle East. According to industry sources, By Kilian generates annual revenue of approximately \$25 million. The acquisition will allow Estée Lauder to further expand in the premium fragrance category. Since 2010, Estée Lauder has also acquired Smashbox, Le Labo, Editions de Parfums Frédéric Malle, RODIN olio lusso and GLAMGLOW.



### SalonCentric Continues to Expand Distribution Coverage Through Acquisitions

SalonCentric, a division of L'Oréal USA, has acquired Raylon Corp., a full-service, wholesale distributor of professional hair salon products. The acquisition expands SalonCentric's distribution coverage of North American hair salons in Pennsylvania, New Jersey, Delaware, Maryland, West Virginia and New York. The acquisition includes 13 Raylon stores and field service team servicing approximately 3,500 salons. SalonCentric currently operates in 48 states with over 600 sales consultants and more than 800 stores.



### StyleSeat Expands Through Acquisition of Online Booking Platform BeautyBooked

StyleSeat announced the acquisition of BeautyBooked, a discovery and booking platform with over 1,000 high-end salons and spas. StyleSeat operates an online platform for booking beauty appointments with more than 350,000 beauty professionals across over 16,000 cities and has serviced more than 44 million appointments since it was founded in 2011. The acquisition allows StyleSeat to expand from independent stylists into the salon and spa segment, particularly in New York and Los Angeles. StyleSeat has raised \$39 million in funding since inception, and today has more than 80 employees today.



### Elizabeth Arden Red Door Spa Acquires CityMani

Elizabeth Arden Red Door Spa Holdings, an operator of 29 day and resort spas nationwide, announced the acquisition of CityMani, an on-demand nail care service for private parties in New York. Elizabeth Arden Red Door Spa will integrate CityMani into its on-demand division, which includes its recent acquisition of Manicube, an in-office beauty and grooming service (see Beauty Care M&A Report Q4'15). Red Door Spa is financially backed by North Castle Partners.



## Industry News

### Branded Consumer Powerhouses Combine to Form L Catterton

Catterton Partners, a leading consumer-focused private equity firm; LVMH, the \$70 billion luxury conglomerate; and Groupe Arnault, the family holding company of LVMH Chairman and CEO Bernard Arnault, announced a new partnership to create L Catterton. According to the company, L Catterton will become the largest global consumer-focused investment firm with over \$12 billion in assets under management following the close of the combined successor fund. In the world of beauty, LVMH owns prestige brands Sephora, Benefit Cosmetics, Make Up For Ever, Acqua di Parma and Fresh. Catterton Partners maintains current beauty care investments, including Cover FX, Intercos Group and StriVectin. Under the terms of this agreement, L Catterton will be 60% owned by the partners of L Catterton and 40% jointly owned by LVMH and Groupe Arnault.

 **L CATTERTON**

 **CATTERTON** | partners

  
LVMH  
MOËT HENNESSY • LOUIS VUITTON

### Women's Wear Daily Ranks the Top 25 Strongest Beauty Brands

Women's Wear Daily's Beauty Inc. published Power 25, its inaugural list of the top 25 strongest beauty brands worldwide. The rankings took into account sales volume, brand equity and digital marketing. The top five included L'Oréal Paris, MAC, Chanel, Neutrogena and Urban Decay. Other notable brands included Benefit, Estee Lauder, Nars, bareMinerals, Jo Malone, Philosophy and OPI.

**BEAUTYINC**

**WWD**

### Jumei Receives Preliminary Going Private Proposal

China's leading online retailer of beauty care products, Jumei International Holding Ltd., received a non-binding, preliminary proposal for a buyout led by existing management and the Sequoia Funds, which own an existing combined stake of 54.4% of the company. The group proposed to purchase all remaining outstanding shares for \$7 per share, a premium of 26.6% above the average closing price over the prior 10 trading days. The offer values Jumei at approximately \$1.02 billion, representing a 1.0x multiple of LTM revenue.

  
聚美优品  
JUMEI.COM

### Silk Therapeutics Raises Capital to Fund Product and Channel Expansion

Silk Therapeutics, a leading edge skin care company, raised \$6 million in a Series A2 financing round led by existing investor The Kraft Group and new investors Lear Corp. and Highland Consumer Partners. The financing, which brings the A2 round to \$10.25 million, will be used to expand the company's skin care product line and explore a larger target consumer base. Silk Therapeutics owns a patented natural silk protein technology used to support skin health and fight the signs of aging.

 **SILK**  
THERAPEUTICS

 **THE KRAFT GROUP**

### Revlon Appoints New CEO Months After Announcing Intent to Explore Strategic Options

Revlon appointed Fabian Garcia as Chief Executive Officer effective April 15th. The appointment comes only three months after Chairman Ron Perelman announced he was exploring strategic alternatives for Revlon and two months since the prior CEO said he would be stepping down for personal reasons. Mr. Garcia was previously Chief Operating Officer for global innovation and growth at Colgate-Palmolive. Prior to Colgate, Mr. Garcia worked at Timberland, Chanel and Procter & Gamble. Revlon reported an 18% decline in profits and a 3% drop in net sales for the first nine months of 2015. Ron Perelman owns approximately 78% of publicly traded Revlon through his investment firm, MacAndrews & Forbes.

**REVLON**

### Color Cosmetics Market Projected to Experience Strong Growth

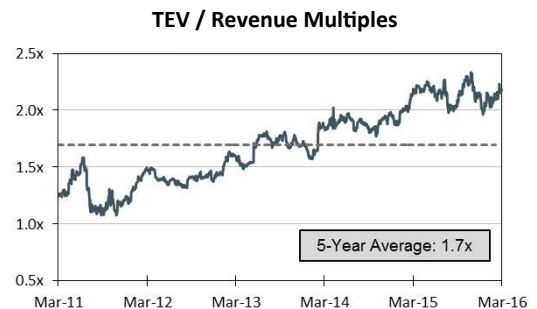
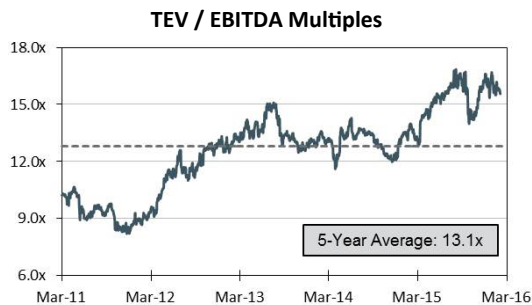
The color cosmetics market is projected to expand at a compound annual rate of 4% from 2014 to 2019, according to RnR Market Research. RnR says growth will be driven by demand for organic cosmetics, product innovations, a rise in online retailing and a disproportionate increase in the Asia-Pacific and other world regions.

  
RnR  
MARKET RESEARCH

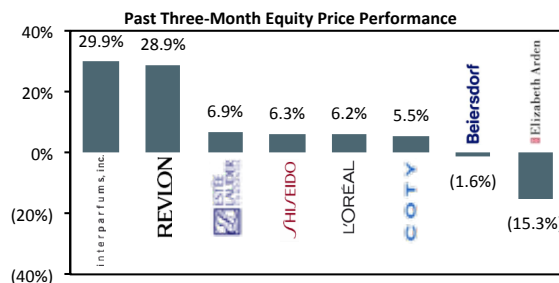
## Publicly Traded Companies (USD Millions)

Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
<b>Beiersdorf</b>	\$18,491	\$20,593	\$7,634	58.3%	16.0%	6.4%	3.4%	2.4x	15.1x
<b>COTY</b>	\$12,658	\$9,383	\$4,276	60.9%	17.9%	(4.8%)	(2.6%)	3.0x	16.6x
<b>Elizabeth Arden</b>	\$625	\$245	\$949	43.3%	(1.6%)	(5.7%)	(10.3%)	0.7x	NM
<b>ESTÉE LAUDER</b>	\$35,334	\$34,760	\$11,064	80.5%	19.2%	1.0%	3.5%	3.2x	16.6x
<b>Interparfums, Inc.</b>	\$909	\$959	\$469	54.6%	15.0%	(4.8%)	(10.1%)	1.9x	12.9x
<b>L'ORÉAL</b>	\$99,671	\$100,489	\$28,838	71.2%	20.6%	12.1%	5.3%	3.5x	16.8x
<b>REVLON</b>	\$3,403	\$1,882	\$1,914	65.2%	16.8%	(2.5%)	10.7%	1.8x	10.6x
<b>SHISEIDO</b>	\$9,101	\$9,258	\$9,095	74.2%	9.4%	25.9%	13.3%	1.0x	10.6x
Mean			63.5%	14.2%	3.5%	1.7%	2.2x	14.2x	
Median			63.0%	16.4%	(0.7%)	3.5%	2.2x	15.1x	

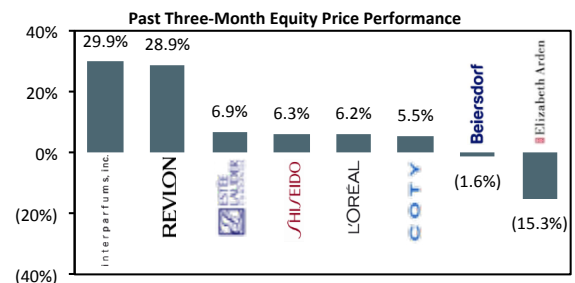
## Publicly Traded Companies (USD Millions)



### Global Beauty Care Equity Price Performance









### Global Beauty Care M&A Transactions





## Select Transactions

 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>Advisor to PUREOLOGY*</p>	<p><i>Too Faced</i></p> <p>a portfolio company of</p> <p>WESTON PRESIDIO</p> <p>has sold a majority stake to</p>  <p>in conjunction with Too Faced founders and senior management</p> <p>Advisor to Too Faced Cosmetics</p>	<p>CHATTERS</p> <p>HAIR BEAUTY SALON</p> <p>has been acquired by</p>  <p>in partnership with the existing management team</p> <p>Advisor to Chatters Canada</p>	<p>Continental Fragrances, Ltd. dba</p>  <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Continental Fragrances</p>
<p>DAVEXLABS LLC dba</p> <p>LANZA®</p> <p>a portfolio company of</p>  <p>has received a growth equity investment from</p>  <p>in partnership with Chief Executive Officer David Berglass</p> <p>Advisor to DAVEXLABS LLC</p>	<p>LORAC</p> <p>has received an investment from</p>  <p>in partnership with management</p> <p>Advisor to LORAC Cosmetics</p>	<p>enaltus™</p> <p>a portfolio company of</p>  <p>has sold the brand</p> <p>ScarAway™ The Solution for Scar®</p> <p>to</p>  <p>Advisor to Enaltus</p>	<p>JD Beauty Group</p>  <p>owner of</p>  <p>has obtained a majority investment from</p>  <p>Advisor to JD Beauty Group</p>
<p>product club</p> <p>has been acquired by</p>  <p>Advisor to Product Club</p>	<p>envy MEDICAL™</p> <p>has received a growth equity investment from</p>  <p>Advisor to Envy Medical</p>	<p>ALTERNA. PROFESSIONAL HAIRCARE</p> <p>has been acquired by</p> <p>Markham Prestige Group</p> <p>owners of</p>  <p>Advisor to Alterna*</p>	<p>JOICO</p> <p>and its subsidiaries</p> <p>has been acquired by</p>  <p>a subsidiary of</p>  <p>Advisor to JOICO*</p>

\*Represents transactions executed by principals of Intrepid while at previous securities firms.





## Beauty & Personal Care Team

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



**Steve Davis**

Managing Director

*Head of Beauty & Personal Care*

[sdavis@intrepidib.com](mailto:sdavis@intrepidib.com)



**Shahriar Attaie**

Vice President

[sattaie@intrepidib.com](mailto:sattaie@intrepidib.com)



**Andrew Colmar**

Associate

[acolmar@intrepidib.com](mailto:acolmar@intrepidib.com)

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. To learn more, visit [intrepidbeauty2015.com](http://intrepidbeauty2015.com).

**[intrepidib.com](http://intrepidib.com)** | Mergers & Acquisitions | Capital Markets | Strategic Advisory

11755 Wilshire Blvd., Suite 2200, Los Angeles, CA 90025 T 310.478.9000 F 310.478.9004 Member FINRA/SIPC