



*Beauty Care M&A Report - Q4'15*

# Beauty Care M&A Closes Out 2015 Strong

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## Beauty Care M&A Closes Out 2015 Strong

M&A activity in the Beauty Care sector continued its strong run into Q4'15 with 21 deals closed in the quarter and 85 deals for the full year, a 5% and 37% increase over the same periods in 2014, respectively. While we continue to have our eye on the overall macro economic picture, all of the underlying fundamentals and our current backlog point to another positive year for Beauty Care M&A.

### *Q4'15 Beauty Care M&A highlights include:*

- Intrepid continued its success in the sector announcing its advisory role in the investment by Encore Consumer Capital in LORAC Cosmetics.
- Intrepid closed seven beauty care deals in 2015, representing a record year for the Beauty Care practice and placing Intrepid as one of the most active advisors in the industry.
- Strategic buyers remained active with further acquisitions by Estée Lauder and Coty. Other strategic parties sold non-core brands, including divestitures from Unilever and High Ridge Brands.
- Private equity groups stayed active in beauty care with deals announced by Encore Consumer Capital, Tengram Capital, Alliance Consumer Growth and Cerberus.
- The sector continues to attract an increasing amount of growth and venture capital, with multiple announced capital raises in the quarter, most notably from Madison Reed, Glamsquad and Walker & Co.

Happy New Year and let's all hope for another blockbuster 2016!

*Thank you,*



**Steve Davis**

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## Recently Closed Transactions

### LORAC Cosmetics Receives an Investment from Encore Consumer Capital

LORAC Cosmetics, an authentic Hollywood-inspired prestige color cosmetics brand, recently received an investment from Encore Consumer Capital. LORAC's products are distributed through specialty retailers, department stores and online. The investment was made in partnership with the management team and the company's new CEO, Tim McMeekan. LORAC was founded by celebrity makeup artist Carol Shaw. Carol will continue on as Founder, maintaining key roles in product development and public relations. Intrepid acted as exclusive financial advisor to LORAC Cosmetics.

**LORAC**



### Fosun International Acquired a Majority Stake in Israeli Cosmetics Brand Ahava

Fosun International, a Chinese business conglomerate backed by billionaire Guo Guangchang, announced the majority acquisition of Ahava for \$76.5 million. Ahava produces natural skin creams and other cosmetic products from the mineral-rich mud of the Dead Sea. The company's controversial location in the West Bank has severely restricted international expansion in the past. The acquisition should provide Ahava an opportunity for expansion into the Chinese market.

**AHAVA**  
ACTIVE DEADSEA MINERALS

**FOSUN** 复星

### Estée Lauder Invested in South Korean Beauty Market with Have & Be Co. Skincare Brands

Estée Lauder invested in Have & Be Co., Ltd., the South Korean company behind skincare brands Dr. Jart+ and Do The Right Thing. Launched in 2005, Dr. Jart+ produces skincare products addressing specific skin types and targeting millennials. The brand is distributed primarily in Asia and the U.S. through department stores, specialty stores and e-commerce channels. Founded in 2012, Do The Right Thing is a men's skincare brand sold in Korea through multiple channels as well as in the U.S. through Sephora and BirchboxMan. This represents Estée Lauder's first investment in the growing South Korean cosmetics market and continued evidence of its recommitment to acquisitions.

**Dr.Jart+**

**DT  
RT**

ESTÉE LAUDER

### Coty to Acquire Hypermarches S.A. Beauty and Personal Care Business in Brazil

Coty announced the acquisition of the beauty and personal care business of Brazil-based Hypermarches S.A. for an estimated \$1 billion. The portfolio includes personal care brand Monange, nail polish leader Risqué, men's skincare brand Bozzano, Brazil's largest skincare brand Paixão, and hair colorant brand Biocolor. The Hypermarches beauty care business generated revenue of \$253.5 million in 2014, implying an acquisition revenue multiple of 3.9x. The acquisition will provide Coty a strong mass market platform in the world's third-largest beauty market and an ability to integrate existing Coty and P&G brands in Brazil. The transaction is expected to close by end of Q1'16.

 **hypermarches**

**COTY**

### Elizabeth Arden Red Door Spa Acquired In-Office Beauty Services Provider Manicube

Elizabeth Arden Red Door Spa Holdings, an operator of 29 day and resort spas nationwide, acquired Manicube, an in-office beauty and grooming service. Manicube offers services such as manicures, pedicures and men's haircuts to working professionals at the office. The company currently operates in New York, Boston, Chicago and San Francisco with over 200 corporate client offices. Manicube also serves small group events, including corporate parties and in-store experiences. Red Door Spa is backed by North Castle Partners.

  
**manicube**

 **red door spas**  
Elizabeth Arden

### NUDESTIX Receives Minority Investment from Alliance Consumer Growth

Alliance Consumer Growth made a significant minority growth capital investment in NUDESTIX, a Toronto-based minimalist makeup brand. Founded in 2014 by Jenny Frankel and her teenage daughters, NUDESTIX is a collection of easy-to-use makeup pencils for the eyes, face and lips. The brand is sold through various distribution channels, including retail outlets such as Sephora, Blue Mercury, Urban Outfitters, Space NK, QVC and Forever21.com. The investment will allow NUDESTIX to expand its product line, accelerate international distribution and grow its consumer awareness.

**NUDESTIX**

**ALLIANCE**  
CONSUMER GROWTH

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## Recently Closed Transactions (cont.)

### The Village Company Acquired Seven Beauty and Personal Care Brands from High Ridge

The Village Company, a manufacturer and marketer of personal care products, expanded its brand portfolio through the acquisition of seven brands from High Ridge Brands including Soft & Dri, La Bella, Dep, Pure & Natural, Mink Difference, Adorn and The Dry Look. These brands will expand The Village Company's existing FDM personal care portfolio, which includes Mr. Bubble, Sesame Street Bath Products and Village Naturals.



### Strength of Nature Acquired Multicultural Hair Care Brands from Unilever

Strength of Nature—a leader in the multicultural hair care industry—announced the acquisition of five ethnic hair care and men's grooming brands from Unilever including Motions, Just for Me, Consort, Groom & Clean and TCB. Strength of Nature has been one of the most active brand consolidators within the multicultural hair care industry and currently market-leading brands such as African Pride, Beautiful Textures, Elasta QP, Proactiv MegaGrowth, Proline and Soft & Beautiful.



### Cos Bar Received Growth Investment from Tengram Capital Partners

Tengram Capital Partners acquired a stake in Cos Bar, a luxury specialty cosmetics retailer. Founded in 1976 and headquartered in Aspen, Colo., Cos Bar operates 14 specialty boutique beauty retail stores offering high-level customer service and top-tier global cosmetics brands with limited distribution. The stores are situated in affluent markets in the U.S., such as Aspen, Vail, Scottsdale, and New York City. The investment will enable Cos Bar to expand its store base into new and existing markets, further its omni-channel and digital expansion strategy and supplement its management team.



### Cerberus Capital To Take Avon North America Private

Cerberus Capital Management plans to invest \$170 million for an 80% stake in Avon North America, which will be split off into a privately-held entity. Cerberus will make an additional \$435 million preferred stock investment for a 17% stake in the parent company. Cerberus valued the direct-selling company at \$2.6 billion, which is a dramatic drop from the \$10.7 billion offer from Coty rejected by Avon's board in 2012. The investment from Cerberus Capital will aim to reverse a seven-year stretch of declining sales at Avon North America. The deal has been approved by Avon's board of directors and is expected to close in the Spring of 2016.



### WellSpring Pharmaceutical Acquired Feminine Care Brand FDS from Inspired Beauty

WellSpring Pharmaceutical acquired FDS, a leading feminine hygiene brand, from Inspired Beauty Brands. The acquisition will expand the growing WellSpring personal care and OTC brand portfolio which includes Glaxal Base skin moisturizers, Barriere silicone skin cream, Bonine motion sickness remedy and Emetrol nausea medication. WellSpring is backed by Sentinel Capital Partners and Ancor Capital Partners. Inspired Beauty is a developer and marketer of beauty and personal care products with brands such as Hask, Jhirmack, Pure Shine, Natural Essentials, Lustrasilk and Vigorol.



### Walgreens Boots Alliance Acquisition of Rite Aid to Form Largest Drug Store Chain in U.S.

Walgreens Boots Alliance has agreed to acquire Rite Aid Corporation for \$17.2 billion including debt, merging two of the three largest pharmacy chains. The deal will increase the footprint of Walgreens, improve its ability to negotiate for lower drug prices and enable it to better compete with CVS, Wal-Mart and online pharmacies. Rite Aid currently operates approximately 4,600 drugstores in 31 states and Walgreens operates 8,200 stores in the U.S. Walgreens projects cost savings in excess of \$1 billion and expects the transaction to close in the second half of 2016. The merger is likely to draw scrutiny among antitrust regulators.



## Industry News

### e.l.f. Cosmetics Hires Underwriters for an Initial Public Offering

J.A. Cosmetics, the owner of beauty care brand e.l.f. Cosmetics, is rumored to have hired underwriters for an initial public offering. e.l.f. Cosmetics sells color cosmetics and skincare products targeting a cost-conscious consumer. The company sells through online, FDM and specialty retail channels. J.A. Cosmetics is majority-owned by TPG Capital. TPG acquired the company from TSG Consumer Partners in 2014.



### Proctor & Gamble's Gillette Sues Dollar Shave Club

Proctor & Gamble's male grooming brand Gillette filed a lawsuit against Dollar Shave Club for use of a "chromium-containing overcoat layer" to strengthen razor blades—a patented technology of Gillette. While Gillette controls 60% of the U.S. retail market for razors, their market share has dropped since Dollar Shave Club's launch of its low-cost subscription plan for razors in 2012. According to Dollar Shave Club, the company reached 2 million subscribers and is estimated to own 10% of the U.S. men's razor cartridge market. Gillette seeks damages and an injunction to prevent Dollar Shave Club from selling any products with Gillette's patented technology. Gillette also launched its own razor subscription model last year.



### Coty Announced Restructuring of Its Business Operations and Management

Coty announced a complete restructuring of its business operations and executive management team, as well as the relocation of its headquarters to London. Following the integration of Proctor & Gamble's 43 brands, Coty plans to introduce three new, category-focused business divisions: Coty Luxury Division, focused on fragrances and skincare; Coty Consumer Beauty Division, focused on color cosmetics, hair coloring, hair styling and body care; and Coty Consumer Professional Division focused on servicing professionals in hair and nail care. Coty will also launch a Growth and Digital department that will focus on business development and digital marketing for all three divisions. Executive teams will be relocated to London.



### Host of Beauty Care Companies Raised Financing to Accelerate Growth

Glamsquad, an on-demand, in-home mobile beauty service, received a \$15 million Series B financing round led by New Enterprise Associates. The company will use the funds to expand its services from its current base in New York, Los Angeles and Miami. Madison Reed, an online provider of at-home personalized salon-quality hair color, raised \$16.1 million in Series C financing from Comcast Ventures and Shea Ventures to expand its product lines and increase investments in marketing and technology. Walker & Co. Brands, a health and beauty company focused on the multicultural sector, raised a \$24 million Series B financing led by Institutional Venture Partners. Funds will be used to expand from its online presence into Target with its flagship Bevel shaving system and to accelerate new product development.



### KDC Continues String of Acquisitions of Contract Manufacturers

Knowlton Development Corporation (KDC), a leading contract manufacturer of beauty and personal care products with sales over \$600 million, acquired Cosmetic Technologies, a cosmetics and personal care products contract manufacturer. A week prior, KDC acquired Kolmar, a custom formulator and manufacturer of color cosmetics, skincare and personal care products. In January 2015, the company acquired ChemAid, a formulator and manufacturer of skincare, hair care and personal products. Since an investment by private equity group NOVACAP in October 2014, KDC has invested over \$100 million in the growth of the company, both organically as well as through strategic acquisitions.

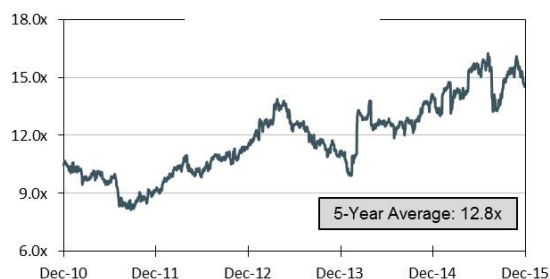


## Publicly Traded Companies (USD Millions)

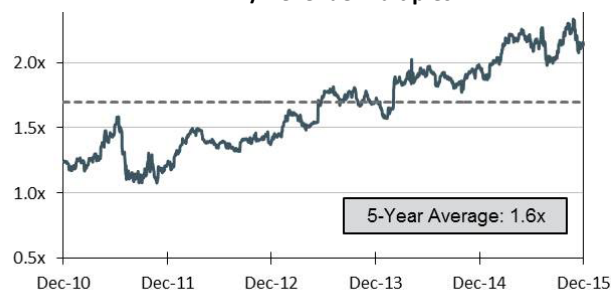
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
<b>Beiersdorf</b>	\$19,086	\$20,962	\$7,199	62.6%	16.0%	5.1%	3.0%	2.7x	16.6x
<b>COTY</b>	\$11,375	\$8,895	\$4,325	60.3%	17.3%	(3.7%)	(2.2%)	2.6x	15.2x
<b>Elizabeth Arden</b>	\$772	\$290	\$967	42.9%	(1.7%)	(4.0%)	(9.8%)	0.8x	NM
<b>ESTÉE LAUDER</b>	\$33,505	\$32,515	\$10,984	80.5%	19.1%	0.3%	3.2%	3.1x	16.0x
<b>interparfums, inc.</b>	\$744	\$739	\$475	53.1%	14.8%	(4.8%)	(10.1%)	1.6x	10.5x
<b>L'ORÉAL</b>	\$96,005	\$94,482	\$26,354	71.1%	20.6%	7.3%	3.8%	3.6x	17.7x
<b>REVLON</b>	\$3,128	\$1,460	\$1,893	66.0%	16.4%	(2.5%)	10.7%	1.7x	10.1x
<b>SHISEIDO</b>	\$8,513	\$8,581	\$6,999	74.9%	8.6%	5.3%	6.8%	1.2x	14.1x
Mean				63.9%	13.9%	0.4%	0.7%	2.2x	14.3x
Median				64.3%	16.2%	(1.1%)	3.1%	2.1x	15.2x

## Publicly Traded Companies (USD Millions)

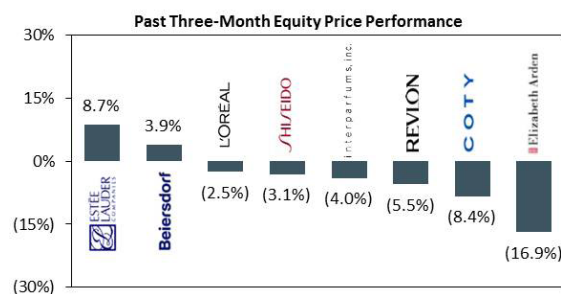
TEV / EBITDA Multiples



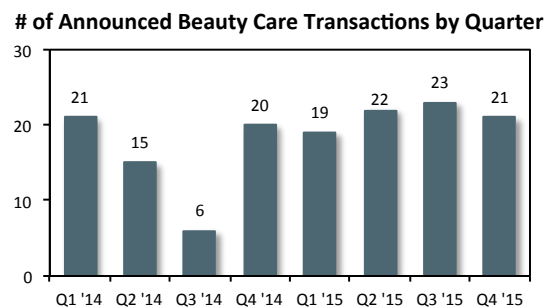
TEV / Revenue Multiples



## Global Beauty Care Equity Price Performance




## Global Beauty Care M&A Transactions






## Select Transactions



a portfolio company of



has been acquired by

**L'ORÉAL**

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

**ONCAP**


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

**L'ANZA**<sup>®</sup>

a portfolio company of



has received a growth equity investment from



in partnership with Chief Executive Officer David Berglass

Advisor to DAVEXLABS LLC

**LORAC**

has received an investment from



in partnership with management

Advisor to LORAC Cosmetics

**enaltus**<sup>™</sup>

a portfolio company of



has sold the brand

**ScarAway**<sup>®</sup>  
The Solution for Scar<sup>®</sup>

to

**Perrigo**

Advisor to Enaltus

JD Beauty Group



owner of



has obtained a majority investment from

**tOspin**

Advisor to JD Beauty Group

**product club**

has been acquired by



Advisor to Product Club

**envy MEDICAL**<sup>™</sup>

has received a growth equity investment from



Advisor to Envy Medical

**ALTERNA**<sup>®</sup>  
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

**SHISEIDO**

Advisor to JOICO\*

\*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



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