



Beauty Care M&A Report - Q3'16

2016 Keeps Rolling with More Big Beauty Care Deals

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2016 Keeps Rolling with More Big Beauty Care Deals

The Beauty Care sector posted another fantastic quarter with 28 deals disclosed in Q3'16, just over the previous high in Q2'16. The quarter showcased deals from many of the familiar strategic acquirers of late including L'Oréal, Unilever and Johnson & Johnson. It also marked the second quarter in a row with multiple billion dollar M&A deals. With only three months left, 2016 is set to become one of the best beauty care M&A years in recent memory.

Q3'16 Beauty Care M&A highlights include:

- Deal volume rose in Q3'16 22% from Q3'15 and 4% over Q2'16.
- Unilever continued on its acquisition spree with the announcement of both Dollar Shave Club in July and Seventh Generation in September.
- L'Oréal kept pace with the \$1.2 billion acquisition of IT Cosmetics and the acquisitions of Atelier Cologne and Société des Thermes de Saint-Gervais-les-Bains.
- Johnson & Johnson also continued its beauty care M&A run with a minority investment in Japanese skincare brand Dr.Ci:Labo, marking a beauty care deal in each of the past three quarters.
- K-Beauty continues to attract strong interest with announced investments in Carver Korea and Clio Cosmetics.
- Private equity continues to allocate significant dollars to the beauty care sector with deals from Tengram Capital, L Capital Asia, Bain Capital and Goldman Sachs.



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Recently Closed Transactions

L'Oréal Acquires IT Cosmetics

L'Oréal acquired IT Cosmetics for \$1.2 billion. IT Cosmetics provides color cosmetics, skincare, brushes and tools across a multi-channel distribution base including TV shopping channels, specialty stores such as ULTA and Sephora, and the brand's Website. L'Oréal will fold IT Cosmetics into its Luxe division, adding a high-growth brand and strong experience at QVC, a core customer for IT Cosmetics. According to industry sources, IT Cosmetics generated net sales of \$182 million for the 12 months ended June 2016, implying a revenue multiple of 6.6x. The deal represents L'Oréal's largest acquisition since Yves Saint Laurent in 2008. TSG Consumer Partners had acquired a minority stake in 2012 followed by an investment by Guthy Renker in 2013.



Bain Capital and Goldman Sachs Acquire Majority Stake in K-Beauty Brand Carver Korea

Bain Capital and Goldman Sachs acquired a majority stake in Carver Korea for more than \$300 million. Carver Korea provides skincare products under its flagship brand A.H.C. to a multi-channel distribution base, including home shopping networks, retail stores, duty free shops, beauty salons, skincare clinics, and eCommerce primarily in Korea, China, and the United States. The company is one of a number of fast-growing Korean-based beauty care companies referred to as "K-Beauty". As of May 2016, Carver Korea generated sales of \$130 million year-to-date, representing more than 200% growth over the prior year period. The company's founder, Lee Sang-rok, will maintain a minority position in the business.



More Investment in South Korean Beauty as L Capital Acquires Minority Stake in Clio Cosmetics

L Capital Asia (the investment arm of LVMH) acquired a minority stake in South Korean beauty company Clio Cosmetics. According to industry sources, L Capital Asia invested \$50 million for a 7% stake in Clio. The company sells under the Clio Professional and Peripera cosmetic brands and Goodal skincare brand through prestige retail chains like Sephora and its own branded Club Clio stores primarily in South Korea and China. Management believes the partnership with LVMH will accelerate growth in Europe and the U.S. ahead of a likely IPO later in 2016 or 2017. The investment, which closely follows recent private equity investments in Carver Korea (see above) and an Estee Lauder investment in Dr.Jart+ in October 2015, further underscores strong interest in the South Korean beauty sector.



Tengram Capital Partners Acquires Majority Stake in Algenist

Tengram Capital Partners acquired a majority stake in Algenist from TerraVia, a specialty ingredients supplier. Developed in 2011, Algenist is a prestige beauty brand providing anti-aging and color correcting skincare products formulated with TerraVia supplied algae-based ingredients. Algenist sells across 23 countries, including distribution at Sephora, ULTA and QVC. As part of the transaction, TerraVia will receive approximately \$20 million, and Tengram will contribute significant capital to the business to accelerate growth. TerraVia will retain a 20% ownership interest in the company post close and will continue to supply ingredients to Algenist. In 2015, the company reported approximately \$23 million in revenue. Tengram has been one of the most active private equity groups in the beauty care sector with current investments in This Works, Laura Geller, DevaCurl, Cos Bar and Nest.



Unilever Makes a Major Play in Men's Grooming with Acquisition of Dollar Shave Club

Unilever acquired men's grooming and lifestyle brand Dollar Shave Club for \$1 billion. Founded in 2012 as a subscription-based direct-to-consumer razor business, Dollar Shave Club expanded into a broader male grooming business with over 3.2 million members. In addition to razors, current products lines now include Wanderer shower and body wash, Big Cloud skincare, Boogie's hair care, Dr. Carver's shave and One Wipe Charlies daily wipes. The company achieved revenues of \$152 million in 2015 and expects to exceed \$200 million in 2016, resulting in an implied revenue multiple of 5x.



Recently Closed Transactions (cont.)

Unilever Expands Natural Footprint with Acquisition of Seventh Generation

Unilever announced the acquisition of Seventh Generation Inc., a leading provider of natural home and personal care products, with a portfolio spanning across household, baby and feminine care. The acquisition will expand Unilever's presence in natural and sustainable products and further increases its footprint in the U.S. market for detergents, hand soap, diapers and tampons, where it has traditionally competed against Procter & Gamble. Sources familiar with the deal estimate the transaction value to be approximately \$700 million. Seventh Generation, founded in 1988, generated revenue of more than \$200 million in 2015, implying a revenue multiple of over 3x. The announcement comes days after reports emerged that Unilever was in early-stage talks to acquire the Honest Co.

seventh
generation.



Conair Expands Professional Division with Acquisition of Aquage

Conair has acquired SalonQuest, LLC, a leading provider of salon hair care products under the Aquage and Biomega brands. The Aquage brand will be integrated into the professional division of Conair which includes the Rusk hair care brand and tool and equipment brands BabylissPro and Satin Smooth. Conair will look to grow the Aquage brand through new product development, new product categories and aggressive international expansion.

aquage

CONAIR

New Mountain Capital Invests in Topix Pharmaceuticals

New Mountain Capital announced an investment in Topix Pharmaceuticals, a leading provider of therapeutic and cosmetic skincare products. Designed for the physician dispensed marketplace, the Topix product portfolio addresses a wide array of skin health conditions. Topix sells under the Replenix, Citrix, Glycolix, and ReBrightalyze brands as well as private label solutions. In partnership with New Mountain Capital, Topix plans to drive growth through new product development, new technologies and acquisitions.

TOPIX
PHARMACEUTICALS, INC.



Johnson & Johnson Further Expands Skincare Portfolio with Investment in Dr. Ci:Labo

A subsidiary of Johnson & Johnson has acquired an approximate 20% stake in Ci:z Holdings. Ci:z Holdings is the parent company of the Dr.Ci:Labo skincare brand, which produces cleansers, exfoliators and moisturizers. As part of the investment, Johnson & Johnson will receive two board seats on Ci:z and will acquire the sales rights to Ci:z Holdings' main cosmetics lines outside of Japan.



Johnson & Johnson

Thymes and DPM Fragrance Merge to Form Curio

Thymes and DPM Fragrance merged as Curio to focus on the prestige bath, body, and fragrance market. Thymes provides premium soaps, lotions, bath and body and home fragrance products to more than 5,000 specialty retail locations. DPM Fragrance is a provider of high-quality candles under the Capri Blue and Aspen Bay brands. Thymes was acquired by Castanea Partners, RCP, Stanfield Capital and Northstar in December 2014. Anne Sempowski Ward, Chief Executive Officer of Thymes, will lead the new Curio platform.



THYMES

DPM
FRAGRANCE

American International Acquires Model in a Bottle

American International Industries, a manufacturer and distributor of branded beauty care products, has acquired Model in a Bottle. Founded by an aesthetician and makeup artist in 2004, Model in a Bottle is a leading provider of makeup sealing products such as the Original Makeup Setting Spray, Eyebrow Sealer and Lipstick Sealer. The company sells primarily online. The acquisition will expand American International's portfolio of over 50 nail care, skincare, hair care, and eyelash brands into the color cosmetics category.



Industry News

Beauty Care Scores a Successful IPO with e.l.f.

e.l.f. Beauty, a leading provider of value-priced branded cosmetics to the mass retail channel, went public in September, only the third beauty products brand to launch an initial public offering (IPO) in the past decade. e.l.f. Beauty priced its offering above expectations, raising \$141 million, and shares have since risen more than 50% over the initial offering price. e.l.f. Beauty was acquired by TPG Growth in 2014 from the founders and TSG Consumer Partners, which invested in the business back in 2011.



Memebox Raises Additional Capital

Memebox, a Korean-based eCommerce beauty company, closed a \$66 million Series C funding round. Memebox, which initially started as a subscription box platform in 2012, has transitioned into a more traditional eCommerce company featuring more than 1,200 Korean brands on its Website. The majority of the company's sales are generated in South Korea, the U.S., and China. To date, the company has raised \$95 million in funding. The company plans to use the funds to expand into new markets.



Birchbox Secured Needed Capital Raise

Birchbox, known as the original subscription box company, has received \$15 million from its current investors, which include First Round Capital, Accel Partners and Viking Global Investors. Founded in 2010, Birchbox sells monthly subscription boxes filled with sample sized products to customers for \$10 a month. The company raised \$60 million in 2014 at a valuation of \$485 million. However, according to industry sources, the company has since struggled to raise capital as competitors have entered the market. The funds will be used for working capital needs and to help the company reach profitability this year.



Unilever Rumored to Be in Talks to Acquire the Honest Co.

Unilever is rumored to be in early stage talks with the Honest Co. regarding a potential acquisition in a deal worth more than \$1 billion. Founded in 2011, the Honest Co. is known for selling nontoxic products including diapers, cleaning supplies and personal and beauty care products through its online monthly subscription services and select brick and mortar retailers. The Honest Co. has raised more than \$200 million since its inception from investors such as General Catalyst Partners, Lightspeed Venture Partners and Fidelity. According to industry sources, Honest Co. generates revenue of approximately \$300 million, suggesting an implied revenue multiple of over 3.3x. Soon after rumors of the acquisition emerged, Unilever announced plans to acquire environmentally-safe household and personal care products company Seventh Generation.



U.S. Beauty Industry Poised to Grow to \$90 Billion

The U.S. beauty industry is expected to expand from \$80 billion today to \$90 billion in 2020, according to Euromonitor International. Such expansion will be driven in large part by the fast growing premium segment which has outpaced the mass segment over the past several years. Growth in the premium segment is being driven by color cosmetics and skincare including BB and CC creams, lipsticks, mascara, and other premium skincare products.



Color Cosmetics Driving Ulta Sales Growth

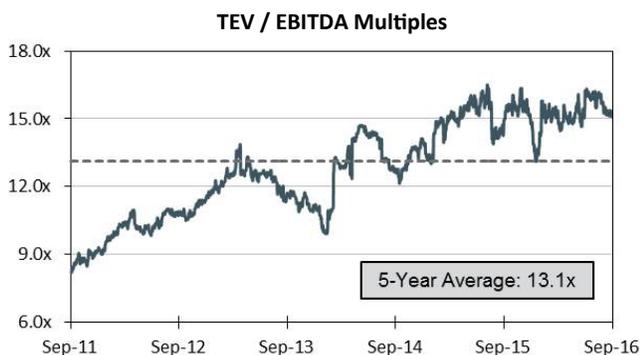
ULTA Salon, Cosmetics & Fragrance Inc., the largest U.S. beauty retailer of cosmetics, fragrance, skincare, hair care and beauty appliances, experienced significant growth in the second quarter. Sales grew 21.9% to \$1 billion from \$877 million in the prior-year period. The rise in sales was primarily due to both mass and prestige color cosmetics brands, such as Urban Decay, Too Faced, Maybelline and the Ulta Beauty collection. Although Ulta exceeded expectations in the second quarter, the company gave a third quarter earnings outlook shy of expectations causing the stock to fall by 5%.



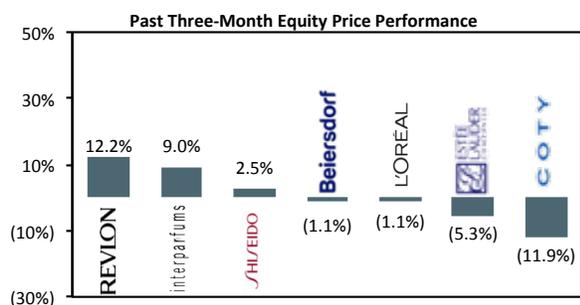
Publicly Traded Companies (USD Millions)

Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
Beiersdorf	\$19,155	\$21,055	\$7,303	58.2%	16.3%	0.6%	2.6%	2.6x	16.1x
COTY	\$11,805	\$7,905	\$4,349	60.3%	17.8%	0.6%	(2.0%)	2.7x	15.3x
 ESTÉE LAUDER COMPANIES	\$33,294	\$32,438	\$11,262	80.6%	19.2%	2.5%	3.0%	3.0x	15.4x
interparfums, inc.	\$973	\$1,002	\$486	56.2%	14.5%	2.2%	(8.5%)	2.0x	13.9x
L'ORÉAL	\$103,793	\$103,413	\$27,855	71.5%	20.8%	2.5%	5.6%	3.7x	17.9x
REVLON	\$3,553	\$1,931	\$1,922	64.2%	16.2%	1.5%	12.1%	1.8x	11.4x
SHISEIDO	\$9,995	\$10,233	\$9,475	74.2%	9.7%	19.6%	11.8%	1.1x	10.9x
Mean				66.5%	16.4%	4.2%	3.5%	2.4x	14.4x
Median				64.2%	16.3%	2.2%	3.0%	2.6x	15.3x

Publicly Traded Companies (USD Millions)

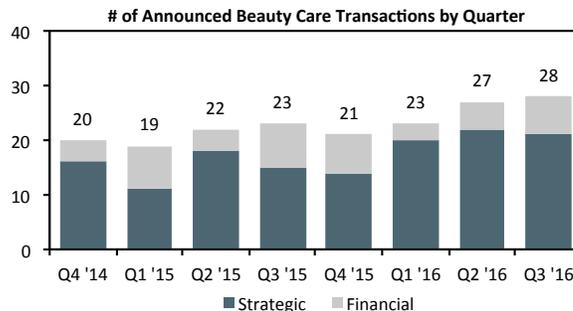


Global Beauty Care Equity Price Performance



Note: Indices calculated using a median equally-weighted basis. All data sourced from S&P Capital IQ.

Global Beauty Care M&A Transactions



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 Team

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