



Beauty Care M&A Report - Q4'16

2016 Roundup—What a Year for Beauty Care M&A!

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

2016 Roundup—What a Year for Beauty Care M&A!

The Beauty Care sector finished off a record year with another strong quarter. While Q4'16 was down versus a record Q3'16, it finished 14% higher than Q4'15 and capped a fantastic year with more than 100 beauty care M&A deals, an increase of 20% over 2015.

In a year we previously deemed the “Year of the Strategic Beauty Care Buyer,” the trend continued with deals announced by Unilever, Coty and Estée Lauder. In addition, new beauty care strategic acquirers emerged with the formation of Glansaol and the entry of Edgewell Personal Care into the M&A mix. And if you thought 2016 was the end of the beauty care M&A hot streak—think again. 2017 is off to a red-hot start with acquisitions already announced by L'Oréal, Coty and High Ridge Brands.

Q4'16 Beauty Care M&A highlights include:

- Deal volume rose 14% in Q4'16 from Q4'15, but expectedly declined 14% from the record-high levels in Q3'16.
- Coming off the Dollar Shave Club and Seventh Generation deals in Q3'16, Unilever continued its acquisition run with the purchase of Living Proof.
- Estée Lauder ruled the prestige color cosmetics landscape with the acquisitions of both BECCA in October and Too Faced Cosmetics in November.
- Glansaol emerged as a new strategic acquirer with the announced acquisitions of Laura Geller, Julep and Clark's Botanicals.
- Strategic buyers accounted for approximately 80% of the transactions in the quarter with deals also announced by Coty and Edgewell.
- Contract manufacturing continued to witness high M&A activity.
- Private equity played a smaller role in Q4'16 but we did see a minority deal from Alliance Consumer Growth.



Steve Davis

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



Shahriar Attaie

Vice President
sattaie@intrepidib.com

Recently Closed Transactions

A New Strategic Buyer Is Born in Glansaol

Glansaol, a prestige beauty and personal company founded through the partnership of former Revlon CEO Alan T. Ennis, and global private equity firm, Warburg Pincus, acquired the Laura Geller, Julep and Clark's Botanicals brands. The Glansaol 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 will include prestige brands with sales ranging from \$5 million to \$250 million where the founder / owner desires an ownership stake in the Glansaol platform. These inaugural acquisitions provide Glansaol with a platform of high-quality premium beauty brands. Laura Geller, acquired from Tengram Capital, is a prestige color cosmetics brand specializing in "baked" makeup sold across 1,200 specialty beauty doors and on QVC. Julep is a prestige nail, color cosmetics and skin care brand sold through a subscription box service and in specialty retailers such as Ulta and Nordstrom. Clark's Botanicals is a premium skin care brand sold on QVC and through limited specialty retailers. According to industry sources, the three brands have combined revenue of approximately \$100 million. Glansaol is just beginning its acquisition efforts with a strong desire to acquire multiple additional prestige assets across the color cosmetics, skin care and hair care categories.



Unilever Enters Prestige Hair Care Market with Acquisition of Living Proof

Unilever announced the acquisition of the innovative, premium hair care brand, Living Proof. Founded by venture capitalist entrepreneur Jon Flint and MIT Professor Robert Langer, Living Proof created a comprehensive portfolio of hair products utilizing bio-medical technology to strengthen hair, fight frizz, build volume and address other hair challenges. The company gained a strong consumer following through its unique product portfolio and endorsements by celebrity Jennifer Aniston, a former owner of the business. Living Proof products are distributed across salon, prestige and mass channels. Unilever plans to operate Living Proof within its prestige division, which includes Dermalogica, Kate Somerville, Murad and REN, all of which it acquired in a series of transactions in 2015. According to industry sources, Living Proof generates net sales of approximately \$70 million. The transaction is expected to close in Q1 '17.

Living proof.



Linden and DW Healthcare Partnered to Acquire Edge Systems

Healthcare-focused private equity firms DW Healthcare Partners and Linden Capital Partners completed the joint acquisition of Edge Systems, a leading manufacturer and marketer of non-invasive equipment and consumables used in aesthetic skin treatments, from private equity firms Main Post Partners and Weston Presidio. Edge's signature system, the HydraFacial, is a facial skin rejuvenation device with a growing installment base of over 7,000 systems placed with dermatologists, plastic surgeons and medical spas across 75 countries. Linden and DW Healthcare teamed up with 25-year medical device and aesthetics veteran, Clint Carnell, who will serve as CEO and healthcare and consumer pharmaceuticals veteran, Steve Fanning, who will serve as Chairman.



Alliance Consumer Growth Invests Minority Stake in Pacifica Beauty

Alliance Consumer Growth (ACG) made a minority investment in Pacifica Beauty, a natural "better for you" beauty care brand. Pacifica, founded in 1997 by wife and husband Brook Harvey-Taylor and Billy Taylor, offers a portfolio of vegan, cruelty-free beauty products spanning several categories, including skin care, color cosmetics, body care, fragrance, hair care and nail care. Pacifica currently sells its products through Ulta, Target, Whole Foods and Sprouts, among others. The investment will allow Pacifica to continue to invest in product development and expand distribution across the natural and mass markets. This marks ACG's third investment in the beauty care sector after making minority investments in Tata Harper and NUDESTIX in 2015.



Recently Closed Transactions (cont.)

Estée Lauder Makes Biggest Acquisition in History with Too Faced Cosmetics

On the heels of its recent purchase of BECCA Cosmetics (see below), The Estée Lauder Companies acquired Too Faced Cosmetics from General Atlantic for \$1.45 billion, representing the largest acquisition in Estée Lauder's history. Founded in 1998 by Jerrod Blandino and Jeremy Johnson, Too Faced is a manufacturer of color cosmetic products with brands such as Better Than Sex mascara and Melted Matte lipsticks sold primarily to prestige retailers including Sephora and Ulta. The acquisition provides Estée Lauder increased access to the millennial consumer and strengthens its position in prestige color cosmetics. According to industry sources, Too Faced has experienced a 60% compound annual growth rate over the past three years and expected to top \$270 million in net sales in 2016. The transaction represents a revenue multiple of approximately 5.4x. The deal marks Estée Lauder's seventh transaction since 2014 and third acquisition in 2016.

Too Faced
COSMETICS



ESTÉE LAUDER

Edgewell Personal Care Company Enters the M&A Arena with Acquisition of Bulldog Skincare

Edgewell Personal Care Company (NYSE: EPC) acquired Bulldog Skincare Holdings Limited. Founded in 2006, Bulldog Skincare is a U.K.-based provider of naturally-based male skin care products, including moisturizers, washes, scrubs, shave gels and lip balms sold in 17,000 locations, primarily in the U.K., U.S., Sweden and South Korea. Edgewell Personal Care recently split from Energizer Holdings in 2015 to actively build out its personal and beauty care segment. The Bulldog brand will complement Edgewell's robust portfolio of shaving assets, including Schick and Wilkinson Sword shaving products and razors and Edge and Skintimate shave preparations.

**BULL
DOG**
NATURAL SKINCARE

 **Edgewell**
PERSONAL CARE

Estée Lauder Expands Color Cosmetics Portfolio with Acquisition of BECCA Cosmetics

The Estée Lauder Companies acquired premium color cosmetics brand, BECCA Cosmetics. BECCA is a high-growth makeup brand offering complexion and color products that include primers, concealers, foundations, blushes and highlighters for a wide range of skin tones. Founded in 2001, and part of the Luxury Brand Partners portfolio since 2012, BECCA has experienced tremendous growth over the past several years and is currently sold in Sephora, Ulta, select department stores and through its own Website. BECCA is also known for having teamed with beauty vlogger and social media influencer Jaclyn Hill. According to industry sources, BECCA was on pace to reach sales of \$75 million for 2016. The deal was Estée Lauder's first color cosmetics transaction since Smashbox in 2010.

BECCA®



ESTÉE LAUDER

Coty Strengthens its Professional Hair Care Presence with Good Hair Day

Coty acquired Good Hair Day (ghd) from Lion Capital for approximately \$510 million. Founded in 2001, ghd is a U.K.-based premium, electrical styling brand providing a range of stylers, hairdryers and curling irons through the salon channel and increasingly through a multi-channel distribution network. The acquisition of ghd will strengthen Coty's position in the professional hair care category, where it ranks second worldwide to L'Oréal. Coty will fold ghd into its Professional Beauty division which includes recently added brands Wella, Sebastian and Clairol Professional. According to industry sources, ghd generated sales of approximately \$220 million in fiscal year 2016, representing a revenue multiple of 2.3x.

ghd
good hair day, every day

COTY

Contract Manufacturing Continues to Witness High M&A Activity

Knowlton Development Corporation (KDC) acquired Thibiant International, a custom manufacturer of personal care products for beauty care brands. The company operates out of a 330,000 square foot facility with 285 employees. The acquisition provides KDC an initial footprint in the Western U.S. In other contract manufacturing news, Kolmar Korea acquired a majority stake in CSR Cosmetic Solutions, manufacturer of color cosmetics and skin care products. The acquisition allows Kolmar to further extend its presence in North America and falls on the heels of Kolmar's acquisition of Process Technologies, a U.S.-based color cosmetics manufacturer, in September.

 **THIBIANT** INTERNATIONAL, INC.
Innovative Personal Care Development & Manufacturing

kdc
KNOWLTON
DEVELOPMENT
CORPORATION

CSR
COSMETIC SOLUTIONS
FORMULATING MANUFACTURING FILLS

 **kolmar**

Industry News

Influenster Releases Most Popular Beauty Brands

Influenster, an online platform of more than two million shoppers, released the most popular beauty brands of 2016, declaring Anastasia Beverly Hills the top beauty brand, with Urban Decay and MAC Cosmetics taking second and third, respectively. Other brands on the wish lists included Too Faced, Lancôme, Kat Von D, Lush and BECCA Cosmetics. The most-listed products were Too Faced's Better than Sex Mascara, Kat Von D's Tattoo Liner, Urban Decay's Naked Palette, ColourPop's Highlighter and Anastasia Beverly Hills' Glow Kit. The rankings are the result of over 200,000 online votes across 99 beauty and personal care product categories.



Women's Wear Daily Ranks the Best Beauty Brands of 2016

Women's Wear Daily's Beauty Inc. published its "Best Beauty Brands of 2016" in the journal's inaugural list of the strongest beauty brands worldwide. The rankings took into account brand building and capitalizing on hot trends in the beauty and personal care sector for both prestige and mass channels. Urban Decay garnered the "Brand of the Year" title in the prestige channel while Garnier earned the title in the mass channel for its innovation and rising market share in the fragmented hair care segment.



Farouk Systems & LG Household and Health Care Form Joint Venture

Farouk Systems partnered with South Korean company, LG Household & Health Care, to form a cosmetics joint venture, LG Farouk Co. The combined operations will establish a manufacturing facility in South Korea to produce and distribute Farouk products across Asia, while LG will leverage Farouk's operations and network to distribute South Korean skin care products to salons across the U.S. Additionally, Farouk will leverage LG's scientific research arm to better create and deliver innovative beauty care technologies. The company is projecting to generate \$1 billion in retail sales in its initial year of combined operations.



QVC Launched New Beauty-Centric Channel, *Beauty iQ*

QVC launched *Beauty iQ*, a home shopping network with a social media focus targeted at the beauty-obsessed consumer. The network will focus on cosmetics, fragrances and skin care products. The launch of *Beauty iQ* aims to deliver more beauty content to its current shoppers as well as attract new customers. QVC will continue to sell cosmetics and beauty-related products on its main network as well as through the new platform, which has an independent TV broadcast, Website and dedicated section within the QVC application. Brands on the beauty network include Givenchy, IT Cosmetics, Edward Bess, Tarte, tatcha, BECCA, Peter Thomas Roth, Josie Maran and Nest.



Glossier Raises \$24 Million

Glossier, the direct-to-consumer skin care and cosmetics brand, raised \$24 million in a Series B round led by IVP. Glossier raised approximately \$10 million in previous rounds. The capital will enable Glossier to launch two new product categories, open retail stores and expand internationally. The Glossier brand is a pioneer on Instagram and often has waiting lists for its most popular products.



3i Invests in Ponroy Santé Group

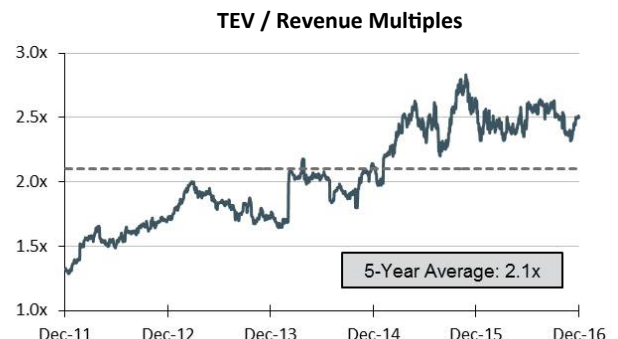
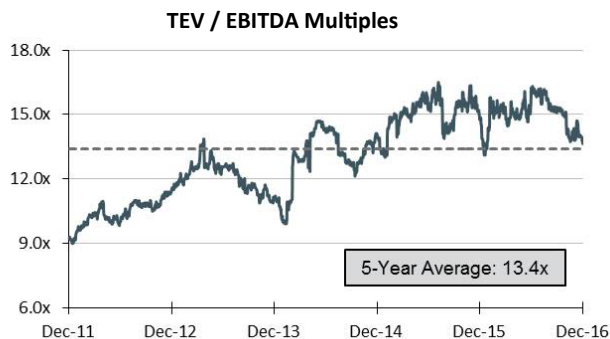
European buyout fund, 3i Group, invested £150 million in Ponroy Santé Group, a leading manufacturer of natural health and wellness products ranging from supplements to cosmetics. Founded in 1975, Ponroy has grown to over £170 million in revenues as a result of its multi-channel distribution through food, drug, mass, natural and online retailers. Its brands include Biolane, Yves Ponroy, Vitarmonyl, Manhae, Lecitone, Force G, Ultrabiotique and Naturé Moi. The transaction will allow Ponroy to increase distribution in Europe and further expand into untapped markets including Asia.



Publicly Traded Companies (USD Millions)

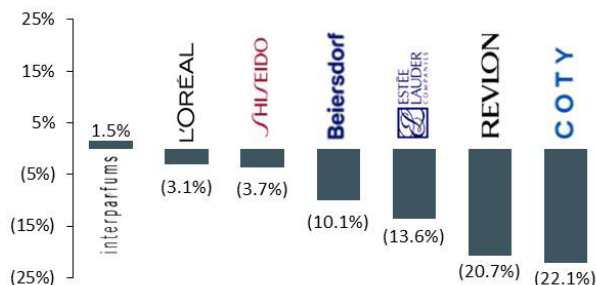
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
Beiersdorf	\$17,573	\$19,401	\$7,026	58.2%	16.3%	(0.7%)	2.6%	2.5x	15.3x
COTY	\$17,763	\$13,665	\$4,317	60.0%	17.3%	1.0%	(1.8%)	4.1x	23.7x
 ESTÉE LAUDER COMPANIES	\$29,344	\$28,029	\$11,292	80.5%	19.0%	2.1%	2.8%	2.6x	13.6x
interparfums, inc.	\$1,009	\$1,019	\$505	55.6%	14.9%	7.7%	(3.6%)	2.0x	13.4x
L'ORÉAL	\$103,031	\$102,665	\$26,799	71.5%	20.8%	0.3%	4.6%	3.8x	18.5x
REVLON	\$4,195	\$1,530	\$2,055	63.0%	16.3%	7.4%	11.2%	2.0x	12.6x
 SHISEIDO	\$10,253	\$10,226	\$8,527	74.2%	9.7%	0.0%	10.6%	1.2x	12.4x
Mean			66.2%	16.3%	2.5%	3.8%	2.6x	15.7x	
Median			63.0%	16.3%	1.0%	2.8%	2.5x	13.6x	

Historical Public Company Trading Multiples



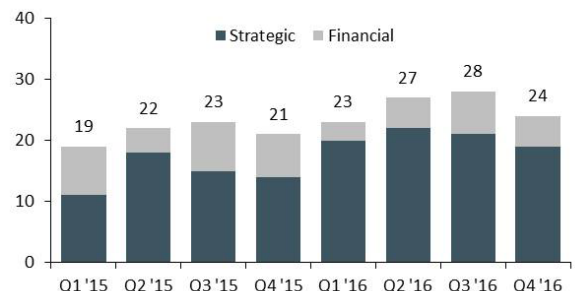
Global Beauty Care Stock Price Performance

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. 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

L'ANZA®

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

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



Shahriar Attaie

Vice President
sattaie@intrepidib.com



Andrew Colmar

Associate
acolmar@intrepidib.com



Lauren Antion

Analyst

Intrepid provides dedicated merger and acquisition advisory and capital raising services to the Beauty & Personal Care sectors. As a result of their focus, our industry bankers have a deep understanding of value drivers in the sector. Our Beauty & Personal Care practice is uniquely dedicated to clients in the middle market, including entrepreneur-owned companies, financial sponsors, and micro- to mid-cap public companies.

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