

*Beauty Care M&A Report - Q1'17*

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The Beauty Care M&A market kicked off 2017 on a positive note and continued the streak of nine quarters with increases over the prior year period. Deal volume in Q1'17 increased 9% over Q1'16 and was up 4% over Q4'16. Strategic acquirers continued to be active with deals announced by traditional consolidators such as L'Oréal, Coty and Henkel. In addition, private equity groups stepped back in the beauty care M&A mix with deals announced by VMG, Main Post Partners and two by L Catterton.

Based on strong underlying fundamentals, deals in the market, deal volume in Q1 and our own backlog, we think that 2017 will be another hot year for beauty care M&A.

### *Q1'17 Beauty Care M&A highlights include:*

- Deal volume rose 9% in Q1'17 from Q1'16 and 4% from Q4'16.
- L'Oréal continues to be the one beauty care acquirer that is active every year—already racking up the \$1.3 billion purchase of skin care brands from Valeant.
- Activity continues in the professional hair care sector with the acquisition of Keratin Complex and Henkel's purchase of Pravana.
- Coty makes an investment in the direct sales channel with the acquisition of 60% of online peer-to-peer seller Younique.
- Church & Dwight makes a move in beauty care with the acquisition of hair restoration brand Viviscal.
- Private equity activity rebounds with deals from branded consumer and beauty care veterans L Catterton, Main Post Partners and VMG.



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## Recently Closed Transactions

### L'Oréal Expands Active Cosmetics with Acquisition of Valeant Skin Care Brands

L'Oréal acquires CeraVe, AcneFree and Ambi brands from Valeant Pharmaceutical for \$1.3 billion, representing a 7.7x multiple of revenue. CeraVe offers a broad range of skin care products including cleansers, moisturizers, sunscreens, healing ointments and baby care. AcneFree provides a full range of OTC cleansers and acne treatments while Ambi offers skin care products formulated for the multicultural market. The three brands are each built on strong relationships with health professionals and distributed across drug, mass, specialty and eCommerce channels. The acquisition will add \$168 million of combined revenue and significantly increase the size of L'Oréal's Active Cosmetics Division in the U.S., which currently includes brands such as La Roche-Posay, Vichy and SkinCeuticals.



L'ORÉAL

### Coty Expands Direct Sell Presence with Majority Stake in Younique

Coty announced an acquisition of a majority stake in Younique, a social-media-driven direct sales cosmetics company. Younique utilizes a peer-to-peer social sales model selling beauty care products through 200,000 "presenters"—similar to Avon or Tupperware except that the majority of Younique's sales are online. The company generated approximately \$400 million of revenue in 2016 with more than 4.1 million consumers. Coty agreed to acquire 60% of Younique for \$600 million in cash, with the founders who will continue to run the business retaining 40%. The acquisition values Younique at \$1 billion, representing a 2.5x revenue multiple.



### Professional Salon Hair Care M&A Heats Up with Henkel Acquisition of Nattura Laboratorios

Henkel announced an agreement to acquire Nattura Laboratorios and its two primary professional hair care brands, Pravana and Tec Italy. Founded in 1982 with headquarters in Guadalajara, Mexico, Nattura comprises 11 professional hair care brands that generated more than \$110 million in revenue in 2016. The Pravana brand consists primarily of hair color and Tec Italy is focused on hair care and styling products. The acquired brands complement Henkel's existing professional hair care portfolio, including Schwarzkopf, Syoss, Kenra, Alterna and Sexy Hair (the latter three which Henkel acquired in 2014). The acquisition furthers Henkel's No. 3 position in the U.S. professional hair care market, advances Henkel to the leading position in the Mexican professional hair care market and provides a platform for further growth in the Latin American markets. After several years of silence in the professional salon M&A arena, this deal marks the third acquisition in the past six months following the Conair acquisition of Aquage in September 2015 and recent acquisition of Keratin Complex.



### Kopari Beauty Receives Growth Capital Investment from L Catterton

L Catterton made a growth capital investment in Kopari Beauty, a premium, natural beauty brand with products made from coconut oil sustainably sourced from the Philippine Islands. Founded in 2015, the company currently sells primarily online. The investment will allow the brand to continue its growth in the U.S., expand into international markets, drive continued product innovation and support recently launched growth initiatives in new channels, including QVC and Sephora. The investment highlights a number of private equity investment trends including interest in digital based brands and the willingness to invest early in fast-growing beauty companies. Kopari was founded less than two years ago and industry sources estimate revenue of only \$5 million in 2016.



### Main Post Partners Makes Minority Investment in Milk Makeup

Main Post Partners made a minority growth investment in Milk Makeup, the award winning color cosmetics line from the co-founders of Milk Studios. Founded in 2016, the indie makeup brand offers beauty, skin care and hair care products available online and through brick-and-mortar retailers such as Sephora and Urban Outfitters. The investment will support the geographic expansion of the brand both within the U.S. as well as internationally with plans to quadruple door count in 2017. Similar to the theme aforementioned, Main Post decided to invest early in the brand evolution of Milk Makeup, with the brand less than two years old and estimated revenue of less than \$10 million in 2016.





## Recently Closed Transactions (cont.)

### VMG Partners Makes a Move in Beauty with Investment in Drunk Elephant

Skin care brand Drunk Elephant received a minority investment from VMG Partners and lifestyle blogger Leandra Medine. Founded in 2014 and based in Houston, Tex., Drunk Elephant offers a portfolio of prestige skin care products based on natural, non-toxic formulations. The company's products are distributed through its own eCommerce Website and prestige retailers such as Sephora. According to industry sources, Drunk Elephant generated retail sales of approximately \$30 million in 2016 and was one of the fastest growing skin care brands at Sephora. With new funds in-house, the company plans to build out its infrastructure and continue expansion in international markets.



### L Catterton Makes Second Beauty Investment in the Quarter with Probiotic Skin Care Brand TULA

L Catterton invested in premium, probiotic skin care brand TULA. Founded in 2014 by a board-certified gastroenterologist, the co-founder of Bobbi Brown and a technology entrepreneur, the brand leverages probiotics across all formulations in an effort to balance the skin with the biology and technology of 'good bacteria.' TULA, meaning "balance" in Sanskrit, formulates topical skin care products with patented probiotic technology to improve skin health by restoring the skin's microbiome. The brand is distributed online, on QVC and through specialty retailer SpaceNK. In 2016, TULA generated a 78% increase in distinct customers on QVC. The series A funding, estimated at \$8 million, will be used to fund marketing, working capital and product development.



### High Ridge Brands Expands Under New Ownership With Acquisition of Dr. Fresh

High Ridge Brands acquired Dr. Fresh, a leading provider of oral care products. Dr. Fresh offers a comprehensive portfolio of oral care products, including toothbrushes, travel kits, rinses and flosses under the Firefly, REACH, Dr. Fresh, Binaca and Dazzling White brands. The company's products are widely distributed in leading retailers across the food, drug, mass and discount channels throughout North America and Europe. The transaction extends High Ridge into oral care and adds to its broader value-focused brand portfolio which includes Salon Grafix, V05, White Rain, Rave, Zest, Coast and LA Looks. The purchase of Dr. Fresh represents the first material add-on for High Ridge Brands under its new private equity partner Clayton, Dubilier & Rice, which acquired High Ridge from Brynwood Partners in 2016.



### Beauty Industry Group Extends Market Presence With Acquisition of International Designs Corp.

Beauty Industry Group, the industry leader for professional hair extensions and related beauty products, made a strategic investment in International Designs Corporation (IDC). Founded in 2005, IDC is a provider of professionally-installed hair extensions under two leading hair extensions brands—Hot Heads and Hair Talk. Beauty Industry Group partnered with private equity group Gauge Capital in June 2016 to accelerate growth including through acquisitions such as this one. The investment allows Beauty Industry Group to further its leadership position in the professional hair extension sector, solidify its high-quality hair extension sourcing capabilities and continue growth across its branded beauty care portfolio.



### Church & Dwight Buys Hair Care and Supplement Brand Viviscal

Church & Dwight, a diversified household and personal care products conglomerate, has acquired hair growth supplements and treatments brand Viviscal for \$160 million. Viviscal manufactures and distributes hair growth products and supplements formulated with an AminoMar marine complex to nourish the hair and scalp and combat hair loss. The Viviscal brand is distributed in more than 25,000 drug, mass and specialty retail locations across the U.S. as well as online. The Viviscal acquisition provides Church & Dwight entry into the emerging beauty supplement market and expands their existing personal care brand portfolio, which includes Batiste dry shampoo and Nair hair removal solution.



### Puig Parent Company Exea Purchases Majority Stake in Apivita

Spain's Corporación Exea Empresarial (Exea), parent company of Puig, acquired a majority stake in Greek beauty brand Apivita. Founded by pharmacists Niki and Nikos Koutsianas in 1972, Apivita, which means "life of the bee," manufactures and distributes natural cosmetics inspired by the honey bee culture. The company's formulations consist of propolis, honey, royal jelly, beeswax, plant extracts and essential oils across a broad product portfolio, including facial care, hair care and body care. Apivita distributes more than 300 beauty and personal care formulations through pharmacies, branded retail stores and department stores across Europe. The company generated more than \$40 million of revenues in 2016. Exea is the parent of Puig which owns brands including Jean-Paul Gaultier, Carolina Herrera, Nina Ricci and Uriage. Founder Nikos Koutsianas will retain a third of the business and continue his involvement with the business as Chairman.



## Industry News

### L'Oréal Considers Divesting The Body Shop

L'Oréal announced its plans to explore strategic options regarding The Body Shop as part of its brand portfolio optimization strategy as described by its Chairman and CEO, Jean-Paul Agon. Since L'Oréal's acquisition of The Body Shop in 2006, the brand has underperformed in growth, operating margins and return on capital, with sales declining by 5% in 2016. Founded as an early forerunner of the natural and eco-conscience movements in beauty and personal care, The Body Shop has struggled in recent years due to lack of differentiation in the market and increased competition in the sector. Industry sources report that private equity suitors including Goldman Sachs, Advent International and CVC Capital Partners have already expressed interest in acquiring the brand. While early rumors suggested a potential price tag north of \$1 billion, industry sources are now predicting valuations will be materially less than \$1 billion.



L'ORÉAL

### Function of Beauty Closes Series A Funding Round

Function of Beauty, a manufacturer of personalized shampoo and conditioner based on consumer hair goals, closed a \$9.5 million Series A funding round led by GGV Capital. Launched in 2015, Function of Beauty issues a 'quiz' to learn about users' hair type and preferences, which are computed into an algorithm to determine the ingredients and specific formulation for each individual. To date, Function of Beauty has raised \$12 million in funding and plans to use the funds to further refine its algorithm, expand internationally and open a flagship store in New York to grow brand awareness.



### Puig Enters Into Joint Venture Agreement with Luxasia

Puig, owner of brands including Jean-Paul Gaultier, Carolina Herrera, Nina Ricci and Uriage, entered into a joint venture agreement with Luxasia to accelerate the development of Puig brands across Asia. Luxasia, a premium beauty distributor and retail company in Asia, manages a portfolio of 120 international brands across beauty care segments, including cosmetics, skin care, fragrance and professional beauty salons. The joint venture agreement applies to select Southeast Asian markets including Singapore and Malaysia.



### Madison Reed Raises New Venture Funding

Madison Reed, an online hair color delivery service based in San, Francisco, Calif., raised \$13 million of additional venture capital funding, bringing its total to more than \$45 million of funding to date from venture capital firms Norwest Venture Partners, True Ventures and Maveron. Founded in 2013, the company develops nutrient-rich hair color formulas free of ammonia, parabens, resorcinol, PPD, phthalates and gluten. The company generates 90% of its revenues through the direct-to-consumer channel, although it recently grew distribution into select live shopping and prestige retailers.



### Johnson & Johnson Uses Innovative Approach to Identify New Investment Opportunities

Johnson & Johnson Innovation invited early stage entrepreneurial companies with disruptive technology and beauty innovation to participate in a pitching opportunity, The Flash Cosmetics Pitch, at the in-cosmetics industry event in London. The opportunity allows participants to pitch to an exclusive panel of industry experts, win £5,000 and gain public relations exposure. Participants span six categories including anti-aging, aesthetic devices, digital beauty, microbiome, naturals and personalization. Johnson & Johnson seeks to further drive growth in the beauty and personal care industry by uncovering untapped innovation.



### L'Oréal Makes Strategic Investment in Partech Ventures to Explore Digital-Beauty Startups

L'Oréal announced its investment in an early stage fund managed by Partech Ventures, an international venture capital firm, in an effort to better connect with early stage beauty innovators and finance the growing number of digital-beauty startups. The announcement marks L'Oréal's second investment in digital and technology accelerators and incubators following its investment in the Founders Factor in May 2016, reinforcing its strategy to participate in the financing of disruptive, early-stage digital businesses. Partech Ventures provides L'Oréal with access to high-quality sourcing of B2B and B2C digital beauty players internationally. L'Oréal seeks to integrate new technology partners and services within its organization to further its digital innovation strategy, which includes its Research and Innovation Technology Incubator.







### 2016 NPD Group Results Highlight Growth in Premium Beauty and Natural

The NPD Group's annual beauty market research and business solutions publication monitors global industry trends by category, geographic region and store levels. In 2016, prestige beauty was the primary driver of expansion with 6% growth, adding \$1 billion in sales over the past year. Prestige color cosmetics contributed 82% of the total expansion with over 12% growth while skin care grew 2%. Mass beauty sales grew by 2%, equally driven by color cosmetics and skin care, while mass fragrance sales fell slightly. The report also highlighted a shift in the landscape as consumers demand healthier lifestyles and seek a more holistic approach to beauty.

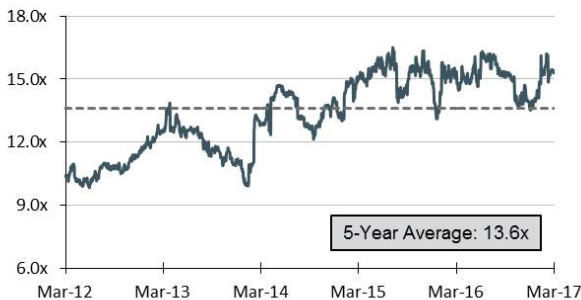


## Publicly Traded Companies (USD Millions)

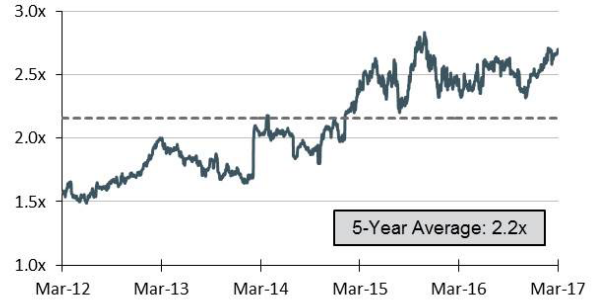
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
 <b>Beiersdorf</b>	\$19,500	\$21,574	\$7,220	58.9%	17.5%	1.0%	3.2%	2.7x	15.4x
 <b>COTY</b>	\$19,189	\$13,545	\$5,403	61.2%	15.6%	26.4%	5.8%	3.6x	22.8x
 <b>ESTÉE LAUDER COMPANIES</b>	\$33,428	\$31,067	\$11,376	80.3%	19.4%	2.8%	3.1%	2.9x	15.2x
<b>interparfums</b>	\$1,070	\$1,138	\$521	55.4%	14.8%	11.2%	(2.6%)	2.1x	13.8x
<b>L'ORÉAL</b>	\$105,886	\$106,452	\$27,627	71.6%	21.1%	2.3%	5.3%	3.8x	18.2x
<b>REVLON</b>	\$3,969	\$1,463	\$2,334	61.6%	15.2%	21.9%	16.0%	1.7x	11.2x
 <b>SHISEIDO</b>	\$10,606	\$10,493	\$7,626	75.6%	9.0%	(13.7%)	5.3%	1.4x	15.5x
Mean			66.4%	16.1%	7.4%	5.2%	2.6x	16.0x	
Median			61.6%	15.6%	2.8%	5.3%	2.7x	15.4x	

## Historical Public Company Trading Multiples

TEV / EBITDA Multiples

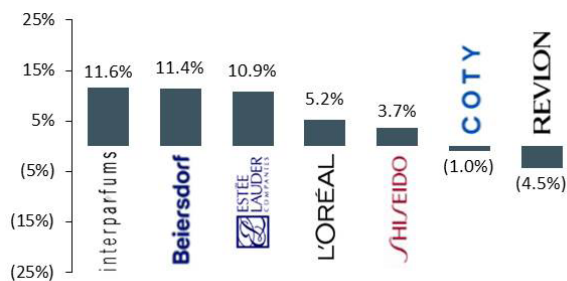


TEV / Revenue Multiples



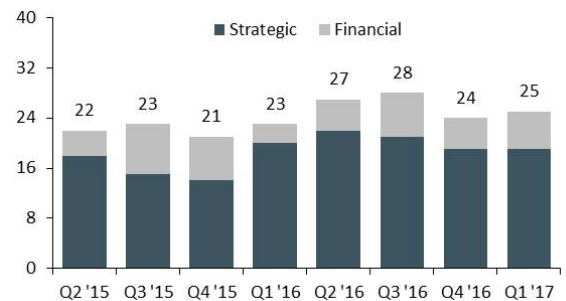
## Global Beauty Care Stock Price Performance

Past Three-Month Stock Price Performance




## Global Beauty Care M&A Transactions

# of Announced Beauty Care Transactions by Quarter





## Select Transactions

 a portfolio company of  has been acquired by <b>L'ORÉAL</b> <b>Advisor to PUREOLOGY*</b>	<i>Too Faced</i> a portfolio company of <b>WESTON PRESIDIO</b> has sold a majority stake to  in conjunction with Too Faced founders and senior management <b>Advisor to Too Faced Cosmetics</b>	<b>CHATTERS</b> <small>HAIR   BEAUTY   SALON</small> has been acquired by <b>ONCAP</b> in partnership with the existing management team <b>Advisor to Chatters Canada</b>	Continental Fragrances, Ltd. dba  has been acquired by  a portfolio company of  <b>Advisor to Continental Fragrances</b>
 dba <b>L'ANZA®</b> a portfolio company of  has received a growth equity investment from  in partnership with Chief Executive Officer David Berglass <b>Advisor to DAVEXLABS</b>	<b>LORAC</b> has received an investment from  in partnership with management <b>Advisor to LORAC Cosmetics</b>	 a portfolio company of  has sold the brand <b>ScarAway</b> to  <b>Advisor to Enaltus</b>	JD Beauty Group  owner of  has obtained a majority investment from  <b>Advisor to JD Beauty Group</b>
 has been acquired by  <b>Advisor to Product Club</b>	 has received a growth equity investment from  <b>Advisor to Envy Medical</b>	 has been acquired by <b>Markham Prestige Group</b> owners of  <b>Advisor to Alterna*</b>	<b>JOICO</b> and its subsidiaries has been acquired by  a subsidiary of  <b>Advisor to JOICO*</b>

\*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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