



Beauty Care M&A Report - Q4'17

**We Did It! Another 100 Deal Year in
the Books!**

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We Did It! Another 100 Deal Year in the Books!

The Beauty Care M&A market finished the year on a high note with 30 transactions in Q4'17, bringing total transactions to over 100 for the second straight year. Not only was volume strong, the quarter witnessed a rash of high profile strategic M&A transactions, with deals announced from Procter & Gamble, Kao, Unilever, Colgate, Henkel, Shiseido and The Hut Group.

As we look into the 2018 crystal ball, we anticipate more of the same – nearly all the strategic buyers are active, new private equity (PE) backed platforms have been formed and PE remains in love with the beauty care sector.

Finally, Intrepid finished the year strong having advised on two deals in Q4'17 – [the acquisition of Native by Procter & Gamble](#) and [the acquisition of Aware Products by Vee Pak](#).

Q4'17 Beauty Care M&A highlights include:

- Deal volume increased 25% from Q4'16 and 11% from Q3'17.
- The most active acquirers of 2017 continued to be a force in Q4, including Unilever with two deals and The Hut Group with one.
- Procter & Gamble re-entered the M&A game with the purchase of Native, its first acquisition in almost 10 years.
- Kao also re-engaged in M&A activity for the first time since 2005 with the acquisition of Oribe Hair Care from Luxury Brand Partners.
- Colgate-Palmolive put its mark on the quarter and the professional skin care world with acquisitions of both EltaMD and PCA Skin.
- PE was active as well with deals from Tengram, TSG Consumer, Eurazeo and CITC.
- Contract manufacturing continued to witness strong M&A activity.

Here is to a very Happy New Year and hopefully another 100 deals in 2018!



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Recently Closed Transactions

Procter & Gamble Makes Strategic Play for Direct-to-Consumer Deodorant Brand Native

Procter & Gamble (P&G) completed its first M&A transaction in eight years with the acquisition of Zenlen Inc. dba Native, a rapidly-growing direct-to-consumer deodorant brand. Founded in 2015, Native makes safe, effective and non-toxic personal care products that consumers use every day. The company has emerged as one of the fastest-growing independent pure-play brands and the leading direct-to-consumer brand in the \$3.2 billion U.S. deodorant market. Through its direct-to-consumer business model, dedication to ingredient transparency and focus on product quality, Native has built strong demand with a customer base of more than one million product users since inception. The acquisition expands P&G's existing personal care brand portfolio, which includes Secret, Old Spice and Gillette, and allows P&G to capitalize on the direct-to-consumer and better-for-you positioning of the Native brand. Founder and CEO Moiz Ali will continue to lead Native from its San Francisco headquarters. **Intrepid acted as exclusive financial advisor to Native.**

NATIVE

P&G

Wind Point-Backed Portfolio Company Adds Beauty Care Contract Manufacturer Aware Products

VPI Holding Company, the parent company of Vee Pak and a portfolio company of Wind Point Partners, acquired Aware Products, a value-added formulator and contract manufacturer that serves as an innovation partner to leading and emerging brands in the beauty industry. Headquartered in Los Angeles, Calif., Aware utilizes its best-in-class innovation, product development and R&D core competencies to develop and manufacture hair care, bath and body and skin care products for its fast-growing client base. The transaction allows both Aware and Vee Pak to leverage their complementary capabilities and strategically positions both companies to service clients with new and growing product lines. Aware also introduces a West Coast operation with capabilities to efficiently manufacture in smaller run sizes. Chuck Greenberg, the current CEO of Aware, and the company's entire leadership team will remain in place. **Intrepid acted as exclusive financial advisor to Aware Products.**

AWARE™
PRODUCTS | LA

VEE PAK

VPI Holding Company, LLC

 WIND POINT PARTNERS

Kao Re-Enters the M&A Arena With Acquisition of Oribe Hair Care

Kao Corporation announced the acquisition of Oribe Hair Care, a premium professional hair care brand, from Luxury Brand Partners. Founded in 2009, the company sells luxury hair care products through high-end salons, prestige retailers including Neiman Marcus, Barneys New York and Bergdorf Goodman, and online. The deal marks Kao's re-entry into the M&A game with its first acquisition since Molton Brown and Kanebo Cosmetics in 2005 and supports the growth of the Kao Salon Division portfolio, which includes Goldwell and KMS. The acquisition provides Kao a luxury brand within its professional hair care portfolio and provides Oribe a path for international expansion. According to industry sources, Oribe generated over \$80 million in revenue and approximately \$30 million in EBITDA in 2017. A rumored purchase price of close to \$400 million implies a revenue multiple of approximately 4x and an EBITDA multiple over 13x. Luxury Brand Partners owns other prestige, artist-driven beauty brands including R+Co, Smith & Cult, IGK, V76 by Vaughn and Pulp Riot.



ORIBE

kao

Colgate Enters Beauty World With Acquisitions of PCA Skin and EltaMD

Colgate-Palmolive announced its entry into the beauty care industry with the acquisitions of PCA Skin and EltaMD. Historically focused on oral care, personal care, home care and pet nutrition, the acquisitions provide Colgate a platform in the professional skin care sector and support its strategy to focus on higher margin businesses. PCA Skin is a leader in the medical-grade in-office chemical peel category, supported by a differentiated portfolio of complementary take-home, daily care products targeting a wide range of skin conditions including acne, aging and discoloration. EltaMD leads the physician-dispensed sun care category, selling facial and body sunscreens and select skin care products. The brands are built on strong relationships with health professionals and sold across a wide range of professional distribution points, including aestheticians, dermatologists, plastic surgeons and other doctor offices and medical institutions as well as through the eCommerce and international channels. Both businesses were backed by PE with PCA Skin having been owned by Norwest Venture Partners and EltaMD having been acquired by Prairie Capital as part of the Swiss-American Products acquisition. The brands generated combined revenue of approximately \$100 million in 2017. The acquisitions are expected to close in Q1 '18.

PCA skin

elta
MD
SKINCARE


COLGATE-PALMOLIVE

Henkel Continues to Expand Market Share in Professional Hair Care With Acquisition of Zotos

Henkel further expanded its market share in the U.S. professional hair care market with the acquisition of Zotos International from Shiseido. Founded in 1932, Zotos manufactures and sells hair care products, texture services and hair color to salon professionals under the Joico, Agebeautiful, Biotera, Bain de Terre, Vero K-Pak Color, Lumishine, iColor, ISO Options, Quantum, Vita-E and Senscience brands. After nearly three decades of ownership, Shiseido divested Zotos to streamline its portfolio focusing on its prestige beauty business globally in addition to its mass, personal care and professional businesses within Asia. Henkel acquired Zotos for \$485 million, representing a revenue multiple of just over 2x. The deal represents Henkel's third acquisition in the U.S. professional hair care market in the last five years, including Sexy Hair, Alterna and Kenra in 2014 and Nattura Laboratorios earlier in 2017.



ZOTOS

Henkel

Recently Closed Transactions (cont.)

Unilever Acquires Sundial Brands Marking Its Fourth Marquee Beauty Acquisition of 2017

Two months following Unilever's announced \$2.7 billion acquisition of Carver Korea, the personal care giant announced the acquisition of Sundial Brands, a leading hair care and skin care company recognized for its innovative use of high-quality and culturally authentic ingredients. Founded in 1991 by Richelieu Dennis, Sundial targets multicultural and Millennials consumers through a purpose-driven business model primarily under its SheaMoisture, Nubian Heritage, Madam C.J. Walker and Nyakio brands. The company maintains broad distribution across the food, drug, mass, specialty and eCommerce channels. The acquisition highlights Unilever's continued desire to address the needs of Millennials and multicultural consumers with purpose-driven brands, such as its acquisition of Seventh Generation in 2016. With the transaction, Unilever and Sundial will allocate a \$50 million initial investment to the New Voices Fund to empower women of color entrepreneurs. Bain Capital owned a minority stake in Sundial Brands through an investment in 2015. Richelieu Dennis will continue to lead the business as Executive Chairman and CEO. Sundial Brands generated approximately \$240 million of revenue in 2017. The acquisition is expected to close in Q1'18.



TSG Consumer Invests in Influencer Powerhouse Huda Beauty

TSG Consumer Partners made a minority investment in one of the fastest growing influencer-driven color cosmetics brands, Huda Beauty. Founded in 2013 by Huda Kattan in Dubai, the brand, which initially launched with false eyelashes, now offers products spanning the lash, lip and facial categories and is distributed direct-to-consumer as well as through prestige retailers including Sephora, Harrods, Selfridges and Cult Beauty. With over 27 million followers, Huda Kattan ranks as one of the top beauty influencers in the world, having been named one of *Forbes'* "Top 2017 Influencers in Beauty" and *TIME's* "Most Influential People on the Internet." The investment supports continued product development, further retail penetration and geographic expansion and allows Huda Kattan to launch HB Investments, a seed fund for new health and beauty businesses. Huda Beauty joins a long list of beauty investments from TSG, including Pureology, Smashbox, e.l.f. Cosmetics, Perricone, It Cosmetics and more recently, Revolution Beauty. According to industry sources, Huda Beauty generated retail sales of approximately \$200 million in 2017.



Tengram Acquires RéVive from Shiseido

Tengram Capital Partners acquired RéVive, a clinically-proven, luxury skin care brand, from Shiseido. Launched in 1997 by plastic surgeon Dr. Gregory Bays Brown, RéVive sells scientifically formulated, premium skin care products, including moisturizers and toners, through high-end retailers such as Neiman Marcus, Saks Fifth Avenue, Bergdorf Goodman, Barneys New York, Blue Mercury and Cos Bar. Shiseido previously acquired RéVive in 2016 as part of the Gurwitch Products transaction. RéVive will operate as a stand-alone entity under the leadership of CEO Elana Drell Szyfer, a Tengram operating advisor and the former CEO of Laura Geller. According to industry sources, RéVive generated estimated revenue of \$15 million in 2017. Tengram has been one of the most active PE groups in the beauty care sector in recent years with current investments in Algenist, This Works and Cos Bar as well as recent successful exits of Laura Geller to Glansao, Deva Curl to Ares, and NEST Fragrances to Eurazeo. RéVive's founder is reinvesting in the company and will join the board. The RéVive sale closely follows Shiseido's divestment of professional hair business Zotos to Henkel in October.



Unilever Expands Natural Personal Care Focus With Acquisition of Schmidt's

Unilever announced the acquisition of Schmidt's Naturals, a fast-growing natural personal care brand, marking its second beauty care acquisition of the quarter and fifth of 2017. Founded in 2010 as a line of natural deodorants, the brand has since expanded across the toothpaste and bar soap categories, selling direct-to-consumer as well as through the food, drug and mass channels. Schmidt's will join Unilever's existing portfolio of U.S. deodorant brands, including Degree, Axe and Dove. The acquisition will further expand Unilever's presence in natural and sustainable products. According to industry sources, Schmidt's generated revenue of approximately \$45 million in 2017. The deal closely follows Procter & Gamble's acquisition of Native, a fast-growing direct-to-consumer natural deodorant brand in November.



BWX Adds to Its Natural Portfolio With Acquisition of Andalou

BWX Limited, a vertically integrated provider of body, hair and skin care products based in Australia, acquired Andalou Naturals, a high-growth natural skin care, hair care and personal care brand. Founded by Stacey Kelly Egide and Mark Egide in 2010, Andalou Naturals is the No. 1 U.S. facial skin care brand in the natural channel selling over 100 SKUs in over 15,000 doors across the natural, food, drug, specialty and eCommerce channels. BWX acquired the brand for \$80 million plus a contingent \$11 million earn-out over the next five years. Based on reported revenue and pro forma EBITDA figures for fiscal 2018, the deal (excluding the earn-out) implies a revenue multiple of approximately 2x and an EBITDA multiple of approximately 9.4x. The acquisition further expands BWX's natural portfolio, following the acquisitions of both Mineral Fusion and Nourished Life in Q3'17, as well as builds the acquirer's presence in the North American market, joining Mineral Fusion and Sukin to form BWX Brands USA.



Recently Closed Transactions (cont.)

Castanea Invests in Luxury Skin Care Brand Tatcha

Castanea Partners acquired a minority stake in Tatcha, a luxury skin care brand inspired by Japanese beauty rituals. Founded in 2009 by Victoria Tsai, Tatcha sells anti-aging moisturizers, cleansers, brighteners, serums and beauty papers through prestige and specialty retailers, including Barneys New York, Sephora, QVC, Joyce Beauty and Mecca, and online. The investment will help bolster Tatcha's supply chain and technology infrastructure and further drive penetration within existing domestic and international retailers. Tatcha joins Castanea's current portfolio of beauty investments including Drybar and First Aid Beauty. According to industry sources, Tatcha generated retail sales of \$75 million in 2017.



Juggernaut Capital-Backed French Transit Acquires MyChelle Dermaceuticals

French Transit International, portfolio company of Juggernaut Capital Partners and owner of Crystal branded natural deodorant and Luster Premium White teeth whitening products, acquired MyChelle Dermaceuticals from Encore Consumer Capital. Founded in 2000, MyChelle provides natural skin care products formulated with high concentrations of active dermatological ingredients. MyChelle products are sold across the natural grocery channel, select specialty retailers and online. According to industry sources, MyChelle generated estimated sales of \$15 million in 2017.



The Hut Group Adds to Its Beauty Care Portfolio With Illamasqua Acquisition

The Hut Group continued its acquisition run with the addition of cult beauty brand, Illamasqua. Founded in 2008 by Julian Kynaston, Illamasqua is an award-winning, professional-grade color cosmetics and nail polish brand, renowned for its bold, theatrical-style. The British brand maintains distribution across online, prestige and professional channels, as well as company-owned retail locations across the U.K. and The Illamasqua School of Make-up Art in London. The transaction, estimated at £25 million, allows Illamasqua to leverage The Hut Group's online retail platform and marketing infrastructure. Following the acquisitions of Glossybox, RY and Espa in Q3'17, The Hut Group increased its borrowing capacity with a £515m revolving credit facility to continue acquiring premium beauty care brands that it can leverage through its retail system, furthering its stated goal to become the leading online beauty retailer.



Industry News

Li & Fung Announced Strategic Divestment of Beauty Care Business

Li & Fung, a global supply chain partner to consumer brands and retailers, announced a \$1.1 billion strategic divestment of three verticals, including its Health, Beauty & Cosmetics unit, to a buyer consortium comprising Hony Capital, Fung Holdings 1937 Limited and Fung Investments Limited. Key beauty brands divested include Lice Shield, Finesse, CD, Aqua Net, Yardley and Lypsyl. Li & Fung had acquired the majority of its beauty brands through the \$190 million acquisition of Lornamead in 2013. The strategic divestiture allows Li & Fung to focus on its core competencies of supply chain solutions, logistics and onshore wholesale business, execute on its plan to build an end-to-end digital supply chain and pay shareholder dividends. The transaction is subject to shareholders' approval and expected to close in the first half of 2018.



Anastasia Beverly Hills Rumored to Consider Deal

According to industry sources, Anastasia Beverly Hills, a prestige color cosmetics brand, is exploring strategic options including the sale of the business. With its origins in the eyebrow business, Anastasia Beverly Hills is now one of the largest independent color cosmetics brands with over 15.5 million Instagram followers and growing distribution across the prestige, specialty and eCommerce channels, selling through key retailers including Sephora, Ulta, Nordstrom and Macy's as well as through company-owned retail locations. According to an article by *WWD*, the company generated an estimated \$340 million in revenue and \$200 million in EBITDA, which would put the likely sale price north of \$2 billion. The sale of Anastasia would cap a run of high-profile prestige color cosmetics transactions over the last several years, including Too Faced, IT Cosmetics, Hourglass, BECCA and Laura Mercier.



Early-Stage Venture Capital Activity Continues in the Beauty Care Sector

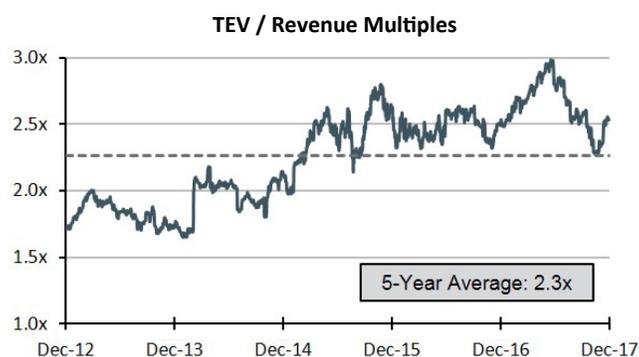
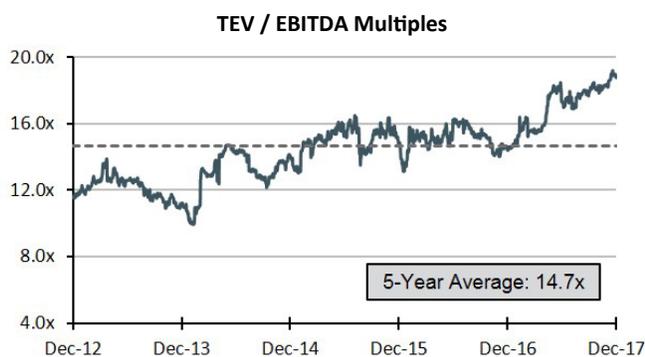
Several high growth, innovative beauty care start-ups received funding over the last quarter. Guthy-Renker Ventures invested in Aquis, a provider of hair towels with proprietary drying technologies supporting hair health, to fund strategic expansion and new product launches. Beauty Bakerie, a Millennials-focused, cruelty-free color cosmetics brand, closed a \$3 million seed funding round led by Unilever Ventures to enhance its existing product portfolio and expand its target consumer base. Organic sun and skin care company, Goddess Garden, raised a Series B funding round led by Renewal Funds, which also led its Series A round in 2016. Madison Reed, an online hair color delivery service, raised \$25 million of additional venture funding from Comcast Ventures, bringing its total to \$38 million in 2017 and more than \$70 million to date. Other noteworthy innovative beauty brands that received venture funding included on-demand beauty services provider Blow Ltd., leading beauty app developer Perfect Corporation, ingestible beauty brand HUM Nutrition, collaborative beauty start-up Prose and vegan, color cosmetics brand Mented Cosmetics.



Publicly Traded Companies (USD Millions)

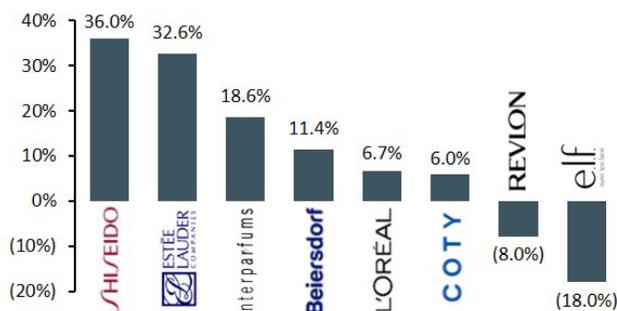
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
 Beiersdorf	\$24,553	\$26,750	\$8,321	59.2%	17.9%	2.3%	3.2%	3.0x	16.5x
 COTY	\$22,321	\$14,907	\$8,808	62.6%	12.6%	63.0%	25.2%	2.5x	20.0x
 elf	\$1,194	\$1,032	\$265	61.3%	17.9%	15.3%	22.2%	4.5x	25.2x
 ESTÉE LAUDER COMPANIES	\$48,984	\$46,854	\$12,233	79.3%	20.8%	7.5%	3.8%	4.0x	19.3x
interparfums	\$1,324	\$1,355	\$576	56.2%	15.6%	10.6%	4.9%	2.3x	14.7x
L'ORÉAL	\$124,566	\$122,772	\$32,229	71.3%	21.1%	3.5%	5.9%	3.9x	18.3x
REVLON	\$3,992	\$1,147	\$2,708	58.0%	8.7%	16.0%	11.7%	1.5x	16.9x
 SHISEIDO	\$19,492	\$19,390	\$8,545	76.5%	10.5%	12.8%	7.0%	2.3x	21.7x
Mean				65.6%	15.6%	16.4%	10.5%	3.0x	19.1x
Median				62.0%	16.8%	11.7%	6.5%	2.7x	18.8x

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



Select Transactions

<p>NATIVE</p> <p>has been acquired by</p>  <p>Advisor to Native</p>	<p><i>Too Faced</i></p> <p>a portfolio company of 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>a portfolio company of</p>  <p>has been acquired by</p> <p>L'ORÉAL</p> <p>Advisor to PUREOLOGY*</p>	<p>CHATTERS HAIR BEAUTY SALON</p> <p>has been acquired by</p> <p>ONCAP</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</p>	<p>LORAC</p> <p>has received an investment from</p>  <p>in partnership with management</p> <p>Advisor to LORAC Cosmetics</p>	<p>AWARE™ PRODUCTS LA</p> <p>has been acquired by VPI Holding Company, LLC</p> <p>the parent company of</p> <p>VEE-PAK</p> <p>and a portfolio company of</p>  <p>Advisor to Aware Products</p>
<p>enaltus™</p> <p>a portfolio company of</p>  <p>has sold the brand</p> <p>ScarAway The Solution for scars™</p> <p>to</p> <p>Perrigo</p> <p>Advisor to Enaltus</p>	<p>JD Beauty Group</p>  <p>owner of</p>  <p>has obtained a majority investment from</p> <p><i>tOpspin</i></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>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 has been acquired by</p>  <p>a subsidiary of</p> <p>SHISEIDO</p> <p>Advisor to JOICO*</p>	<p>pro-cutr</p> <p>subsidiaries of</p>  <p>has been acquired by</p> <p>REGIS</p> <p>Advisor to Opal Concepts, Inc.*</p>	 <p>has been acquired by</p> <p>CONAIR®</p> <p>Advisor to Allegro*</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



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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.

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