



Beauty Care M&A Report - Q1'18

Good Yet Uninspiring Start to 2018

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Good Yet Uninspiring Start to 2018

The Beauty Care M&A market recorded 28 transactions in Q1'18. While transaction volume was strong, including a 12% increase over the first quarter of last year, there was a lack of notable high-profile deals in Q1. According to Intrepid, the fairly ho-hum start to the year is more of a hangover from a stellar Q4'17, which saw a host of prominent strategic M&A transactions all closing or announcing before year end. Intrepid remains highly optimistic on 2018 given strong M&A fundamentals particularly in the beauty care sector, broad acquirer interest and our backlog of deals.

Q1'18 Beauty Care M&A highlights include:

- Deal volume increased 12% from Q1'17 but declined 7% off a record Q4'17;
- Procter & Gamble continued to climb back into the M&A game with its second acquisition in three months, following almost 10 years of no activity;
- Edgewell Personal Care continued to build out its men's beauty and personal care portfolio with the acquisition of Jack Black;
- Private equity was active with deals from MidOcean Partners, Swander Pace Capital and Encore Consumer Capital; and
- Venture capital remains attracted to the beauty care sector with a long list of new investments.



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Recently Closed Transactions

Procter & Gamble Continued on the M&A Trail With the Acquisition of Snowberry

Three months following the acquisition of Native, Procter & Gamble (P&G) [NYSE: PG] acquired Snowberry, a New Zealand-based, prestige skin care brand, underlining its return to the M&A arena. Founded in 2007, Snowberry offers carboNZero certified, anti-aging skin care products, including treatments, serums and moisturizers utilizing natural ingredients that are free of petrochemicals, sulfates, artificial coloring, silicones, glycols and parabens. The company currently maintains distribution in New Zealand, China and the U.S. The transaction allows Snowberry to leverage P&G's marketing infrastructure, R&D platform, and multinational distribution network to increase product innovation and expand its marketing footprint. Founder Soraya Hendesi and her team will continue to lead Snowberry from its New Zealand headquarters. The acquisition highlights P&G's focus on the rapidly expanding natural category and renewed interest in the prestige beauty category alongside strong growth of its SK-II brand, but less than two years following the sale of many of its specialty beauty brands to Coty in 2016.

SNOWBERRY



Edgewell Expands Men's Portfolio With Jack Black Acquisition

Edgewell Personal Care (NYSE: EPC) expanded into the luxury grooming category with the acquisition of Jack Black, a leading luxury men's skin care brand. Founded in 2000 in Carrollton, Tex., the company provides luxury, high-quality skin care, shave, body care, fragrance and hair care products through leading prestige retailers including Neiman Marcus, Bloomingdales, Nordstrom and Sephora as well as online through its own Website and Amazon. Edgewell split from Energizer Holdings in 2015 to actively build out its personal and beauty care business. The Jack Black brand will complement Edgewell's most recent acquisition of Bulldog Skincare, a naturally-based male skin care brand, and expands the acquirer's portfolio of shaving assets which includes Schick and Wilkinson Sword shaving products and razors and Edge and Skintimate shave preparations.

Jack Black
Authentic and Original

 **Edgewell**
PERSONAL CARE

MidOcean Partners Acquired Digitally Native BH Cosmetics

Direct-to-consumer brands continue to draw investor attention as highlighted by the acquisition of digitally native color cosmetics brand, BH Cosmetics, by MidOcean Partners. Founded in 2009 in Los Angeles, the company offers a full suite of value-priced color cosmetics, brushes and accessories. The company targets Millennials and Generation Z consumers with over 2.2 million Instagram followers, 1.6 million Facebook likes, and a deep influencer network of high-profile celebrities, including YouTube star Carli Bybel and actress Ashley Tisdale. The company recently expanded its exclusively online distribution to include select retailers such as Ulta, Urban Outfitters and Riley Rose. The acquisition will support new product development, geographic expansion and increased distribution to the wholesale channel and help bolster the company's marketing and customer service capabilities. According to industry sources, BH Cosmetics generates between \$50 million to \$60 million in net sales. MidOcean Partners previously invested in IMAGE Skincare in 2015.

 **cosmetics**

MID OCEAN
PARTNERS

L'Oréal Pushes Into Augmented Reality With ModiFace Acquisition

As the worlds of beauty and technology increasingly intersect, L'Oréal (EPA: OR) seeks disruptive technologies to supplement its existing global brands, as highlighted by the beauty giant's recent acquisition of ModiFace. Founded in 2006, the Canadian beauty technology company provides augmented reality and artificial intelligence for leading skin care and cosmetics players through the use of proprietary software to track facial features and skin tones. ModiFace enhances the customer experience allowing 3D virtual make-up and skin care diagnoses to support consumer purchasing decisions. ModiFace follows L'Oréal's acquisition of skin care scanning and color matching technology and software firm, Sayuki Custom Cosmetics, in 2014, as well as investments in both Founders Factory and Partech Ventures. ModiFace will join L'Oréal's Digital Services Factory.

MODIFACE

L'ORÉAL

Crown Laboratories Acquires Vita Liberata

Crown Laboratories, a fully integrated, specialty pharmaceutical company focused in dermatology, acquired Vita Liberata, a prestige, organic sunless tanning and skin care brand. Founded in 2003 by Alyson Hogg, Vita Liberata distributes a complete range of non-toxic tanning solutions, bronzers and anti-aging skin care serums across professional salons and spas as well as through select prestige and specialty retailers, including Sephora, SpaceNK, Ulta and Boots. The luxury tanning brand complements Crown Laboratories' Blue Lizard sun care brand and supports its expansion into prestige retail. Broadlake Capital acquired a majority stake in Vita Liberata in 2012. According to industry sources, Vita Liberata generated retail sales of approximately \$50 million in 2017 with a rumored acquisition price of \$30 million. Founder Alyson Hogg will continue to lead Vita Liberata as President of Consumer Brands for Crown Laboratories. Crown Laboratories is a portfolio company of Hindred Capital Partners.

 **VITA**
LIBERATA



Crown Laboratories, Inc.

Recently Closed Transactions (cont.)

Swander Pace Carves Out Personal and Home Care Assets of J.R. Watkins

Swander Pace Capital is carving out the J.R. Watkins Personal Care & Household assets from Watkins, Inc. Founded as an apothecary in 1868, J.R. Watkins expanded into the home, bath and body care categories with a focus on natural ingredients. The company offers hand soaps and body lotions through a broad distribution base across the natural, food, drug, mass, club and eCommerce channels. Swander Pace plans to leverage the authenticity of the J.R. Watkins brand while expanding distribution, investing in marketing and entering new product categories. Watkins will continue to manufacture and sell spices and extracts under the Watkins brand. The J.R. Watkins acquisition adds to Swander Pace's list of beauty and personal care deals which includes glōProfessional and Gilchrist & Soames.



Supergoop! Attracts Minority Investment from Encore Consumer Capital

Encore Consumer Capital completed a minority investment in Supergoop!, a prestige skin care brand dedicated entirely to sun protection. Launched in 2007, Supergoop! provides a broad range of safe and effective personal care products with UV protection including sunscreens, setting powders, anti-aging skin care products, body lotions and lip balms that are free of parabens, oxybenzone, fragrances and propylene glycol. The products are sold online through the Supergoop! Website as well as through prestige retailers such as Sephora, Nordstrom and Bluemercury. The investment will help bolster the company's marketing infrastructure, relaunch the company's Website, expand distribution and roll-out new products. Supergoop! previously received funding from JMK Consumer Growth, Circle Up and Maria Sharapova, among others. According to industry sources, Supergoop! will generate \$45 million to \$50 million in retail sales in 2018. Supergoop! joins a long list of beauty investments from Encore, including LORAC Cosmetics, Butter London, MyChelle Dermaceuticals and tarte Cosmetics.



Marc Anthony Cosmetics Completes First Add-On Acquisition of Cake Beauty

Marc Anthony Cosmetics, Canada's largest independent hair care brand and one of the fastest growing salon-inspired hair and body care brands in North America, acquired Cake Beauty. Founded by Heather Reier in 2003, Cake Beauty is a 100% vegan and cruelty free skin care, hair care and cosmetics brand that has developed a cult-like consumer following in the Canadian market, with distribution through Shoppers Drug Mart and direct-to-consumer channels. The acquisition allows Cake Beauty to expand by leveraging the Marc Anthony global distribution network and operational infrastructure, and further supports Marc Anthony's status as a leader in the Canadian beauty care market. Founded in 1995, Marc Anthony Cosmetics is owned by the founder and Chief Executive Officer, Marc Anthony, and TA Associates which invested in 2016.



Groupe Rocher Reaches Definitive Agreement to Acquire Arbonne International

Groupe Rocher, a multinational beauty and cosmetics company, reached a definitive agreement to acquire Natural Products Group's Arbonne International. Founded in Switzerland in 1975, Arbonne is a leading direct seller of botanically based beauty, personal care and nutrition products. The company has more than 800 employees and 250,000 independent consultants with revenue in excess of \$500 million. The transaction allows Groupe Rocher to expand outside of Europe, strengthen its position in the direct selling channel, and further diversify its brand portfolio. With sales of over £2 billion, the Groupe Rocher brand portfolio includes Yves Rocher, Petit Bateau, Stanhome, Dr. Pierre Ricaud, Daniel Jouvance, Kiotis, ID Parfums, Flormar and Sabon. The deal also includes the acquisition of natural personal care brand, Nature's Gate.



American International Industries Expands With Spilo Worldwide Acquisition

American International Industries, a leading manufacturer and distributor of beauty products, acquired Spilo Worldwide, a Los Angeles-based distributor of beauty products to the professional channel. Founded in 1942, Spilo sells a wide portfolio of nail, skin and hair care brands, including ColorMode, Master Barber, Mehaz Professional, Rubis of Switzerland and ToolWorx among others, to professional distributors, beauty supply stores, salons and spas. The Spilo brands join American International Industries' portfolio of more than 60 brands, including Ardell, China Glaze, Nail Tek, and recently acquired Model in a Bottle, Hollywood Fashion Secrets and Jerome Russell.



Mally Beauty Receives Minority Investment from Guthy-Renker Ventures

Guthy-Renker Ventures made a minority investment in color cosmetics brand, Mally Beauty. Founded in 2005 by celebrity make-up artist, Mally Roncal, the brand is a long-wearing, high-performance cosmetics line sold through Ulta, Kohl's and QVC. Guthy-Renker will lead the development of an infomercial marketing campaign designed to drive brand awareness and increase volume across its direct to consumer channels, including television and eCommerce. Beauty Visions, a subsidiary of TPR Holdings, acquired the company in 2015 and will maintain majority ownership. Guthy-Renker is a leading direct marketing company with its current brand portfolio including Meaningful Beauty, Crepe Erase, Perricone MD, Sheer Cover Studio and Principal Secret. The investment follows other recent minority investments by Guthy-Renker Ventures including Dermaflash and Aquis.



Industry News

Glossier Raises \$52M in Funding

Glossier, a direct to consumer (D2C) makeup, skin care and fragrance company, recently raised \$52 million to fund the continued growth of the brand and improve customer experiences. Founded in 2014 by CEO Emily Weiss, Glossier evolved from the beauty care blog, Into the Gloss. Through a strong social media presence and network of referrals, the four-year-old company has built a unique community-based, D2C beauty brand that resonates with Millennials. According to an article by WWD, the investment values Glossier at approximately \$390 million on annual sales of \$40 million. The Series C round was led by existing investors IVP and Index Ventures, bringing Glossier's total funding to \$86 million.

Glossier.



Harry's Brings on Investment by Alliance Consumer Growth

Harry's, a D2C subscription-based men's grooming brand aimed at providing quality shaving and related accessories at affordable prices, raised \$112 million in a Series D round led by Alliance Consumer Growth and Temasek Holdings. Founded in 2013, Harry's has gained significant market share in the \$2.4 billion shaving industry through its subscription-based model and targeted marketing strategy. The company recently expanded into Target and claims to be on track to become profitable in 2018. The investment puts Harry's at a cumulative \$474 million of capital raised to date and will fund the company's expansion into new personal care product categories beyond men's grooming.

HARRY'S

ALLIANCE
CONSUMER GROWTH

TEMASEK
HOLDINGS

Beautycounter Secures New Investment Valuing Business at \$400 Million

Counter Brands, LLC, parent company of Beautycounter, received \$65 million in new funding led by Mousse Partners with participation from existing minority investor, TPG Growth, valuing the business at approximately \$400 million. Founded in 2013 in Santa Monica, Calif., Beautycounter is a leading provider of safe, effective skin care, cosmetics and hair care products focused on ingredient transparency. The company sells its products through independent consultants and its own Website as well as select specialty retail partners, including Target and J.Crew. The funding will support continued channel diversification, digital marketing infrastructure and further investment in branding and technology. Beautycounter has raised over \$100 million in funding since 2013, including a minority investment from TPG Growth in 2014. According to industry sources, the clean beauty brand generated approximately \$225 million of revenue in 2017.



MOUSSE



Kiko Milano Seeking Minority Investment

Italian beauty brand Kiko Milano is rumored to be seeking a minority investment in the range of £100 million to £150 million in an effort to reschedule debt with existing creditor banks. Founded in 1997, Kiko Milano is a professional cosmetics brand selling across 600 points of distribution in Europe and a broad eCommerce platform, with reported revenue of over £600 million in 2017. The investment and debt restructuring will expand eCommerce distribution, primarily within the U.S., and fund retail expansion in international markets, including India, the Middle East and Asia. Kiko Milano's U.S. division filed for bankruptcy in January 2018 and is closing its 29 U.S. brick-and-mortar stores and New York headquarters. The shareholders seek to partner with a value-added private equity investor with a track record of success in global expansion.

KIKO
MILANO

Beauty Device Market Rebounds According to Kline Group

The U.S. beauty devices market is back on the rise, according to the Kline Group. New product introductions addressing a wide range of consumer skin concerns including acne, wrinkles, cellulite and hair growth have fueled significant category expansion across all channels of distribution. Johnson & Johnson led the beauty device market in acne care with the Neutrogena Light Therapy Mask, while e.l.f., HoMedics, and Dr. Dennis Gross also received honorable mention for innovative cosmetic device launches in 2017. Further, NuFACE introduced the first-ever, FDA-cleared microcurrent beauty device for the body with NuBODY, expanding the addressable market of the beauty device category. Given whitespace for product innovation, online growth and increasing consumer focus on skin health, Kline Group predicts the beauty device market will continue its growth trajectory through 2022.

NUFACE

Neutrogena

e.l.f.
yes we can

HOMEDICS

Early-Stage Venture Capital Activity Remains Strong in the Beauty Care Sector

Beauty care start-ups continue to attract strong investor attention as highlighted by several high-growth brands that received funding over the last quarter, including multiple companies in the natural category. Gallinée, the first exclusively microbiome and natural bacteria skin care brand, received a minority investment from Unilever Ventures. True Botanicals, a D2C luxury skin care brand focused on eradicating toxic personal care ingredients, raised an \$8 million funding round led by Sonoma Brands, with participation from Unilever Ventures which previously invested a minority stake in April 2017. Founded in 2017, D2C natural fragrance brand, Skylar Body, closed a \$3 million seed funding round led by Upfront Ventures. Beauty By Design, a provider of customized skin care solutions through online consultations, raised a seed funding round of \$2.2 million led by Resolute Partners. NextWorld Evergreen invested in yet another better-for-you brand with its minority stake in W3LL PEOPLE, a clean beauty brand that provides plant-based cosmetics through natural and luxury beauty boutiques and specialty retailers. Other beauty brands that received venture funding included Phlur, an online fragrance brand, and CurrentBody, an online retailer of beauty care devices.

gallinée

TRUE BOTANICALS






SKYLAR

BEAUTY
BYDESIGN

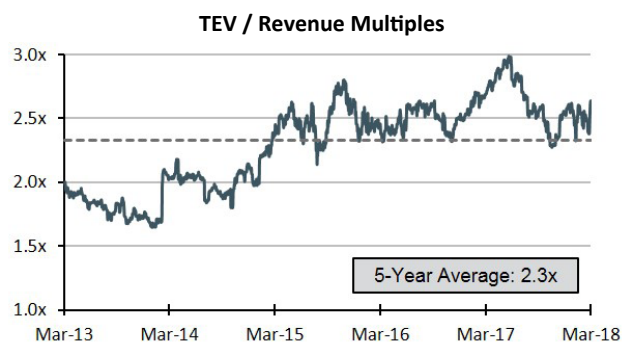
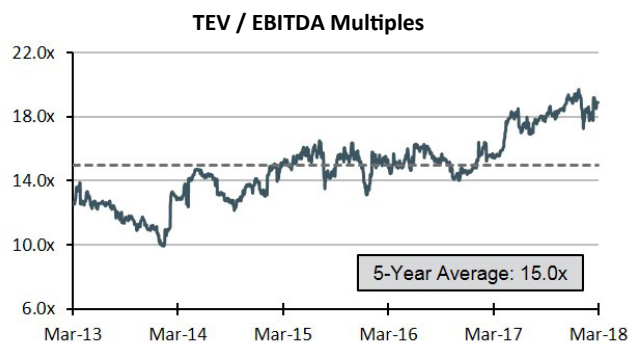
W3LL
PEOPLE

CURRENTBODY
THE BEAUTY DEVICE EXPERTS

Publicly Traded Companies (USD Millions)

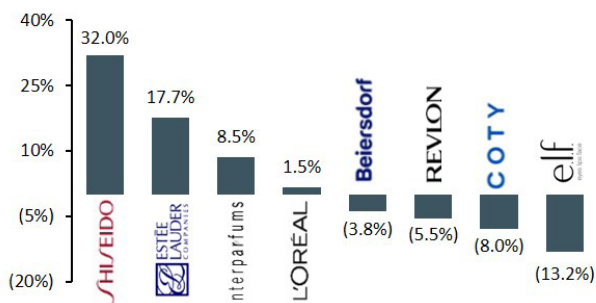
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
 Beiersdorf	\$23,632	\$25,844	\$8,737	58.8%	17.5%	3.3%	3.3%	2.7x	15.5x
 COTY	\$21,406	\$13,723	\$9,149	62.1%	12.9%	41.1%	27.5%	2.3x	18.1x
 elf	\$1,052	\$906	\$270	61.0%	17.7%	13.7%	23.0%	3.9x	22.0x
 ESTÉE LAUDER COMPANIES	\$56,376	\$55,064	\$12,769	79.3%	21.2%	10.3%	5.2%	4.4x	20.8x
interparfums	\$1,394	\$1,474	\$591	56.9%	15.3%	7.0%	6.7%	2.4x	15.4x
L'ORÉAL	\$124,761	\$127,105	\$32,224	71.7%	22.3%	(1.0%)	3.7%	3.9x	17.3x
REVLON	\$3,817	\$1,068	\$2,694	57.9%	7.2%	8.2%	12.1%	1.4x	19.7x
 SHISEIDO	\$24,838	\$25,508	\$9,418	77.0%	12.4%	15.6%	8.9%	2.6x	21.3x
			Mean	65.6%	15.8%	12.3%	11.3%	3.0x	18.8x
			Median	61.6%	16.4%	9.3%	7.8%	2.7x	18.9x

Historical Public Company Trading Multiples



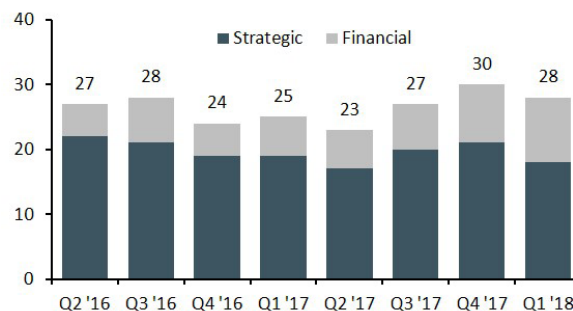
Global Beauty Care Stock Price Performance

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>P&G</p> <p>Advisor to Native</p>	<p><i>Too Faced</i></p> <p>a portfolio company of</p> <p>WESTON PRESIDIO</p> <p>has sold a majority stake to</p> <p>GENERAL ATLANTIC</p> <p>in conjunction with Too Faced founders and senior management</p> <p>Advisor to Too Faced Cosmetics</p>	<p>PUREOLOGY serious colour care</p> <p>a portfolio company of</p> <p>TSG CONSUMER PARTNERS</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>SC SALON GRAFIX</p> <p>has been acquired by</p> <p>High Ridge Brands</p> <p>a portfolio company of</p> <p>BRYNWOOD PARTNERS</p> <p>Advisor to Continental Fragrances</p>	<p>DAVEXLABS LLC dba</p> <p>LANZA®</p> <p>a portfolio company of</p> <p>Caltius Equity Partners</p> <p>has received a growth equity investment from</p> <p>WESTVIEW CAPITAL PARTNERS®</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>encore consumer capital</p> <p>in partnership with management</p> <p>Advisor to LORAC Cosmetics</p>	<p>AWARE™ PRODUCTS LA</p> <p>has been acquired by</p> <p>VPI Holding Company, LLC</p> <p>the parent company of</p> <p>VEE+PAK</p> <p>and a portfolio company of</p> <p>WIND POINT PARTNERS</p> <p>Advisor to Aware Products</p>
<p>enaltus™</p> <p>a portfolio company of</p> <p>HealthEdge INVESTMENT PARTNERS</p> <p>has sold the brand</p> <p>ScarAway™</p> <p>to</p> <p>Perrigo</p> <p>Advisor to Enaltus</p>	<p>JD Beauty Group</p> <p>job</p> <p>owner of</p> <p>Wet brush</p> <p>has obtained a majority investment from</p> <p>tOpospin</p> <p>Advisor to JD Beauty Group</p>	<p>product club</p> <p>has been acquired by</p> <p>BURMAX</p> <p>Advisor to Product Club</p>	<p>ENVY MEDICAL™</p> <p>has received a growth equity investment from</p> <p>HCP & COMPANY</p> <p>Advisor to Envy Medical</p>
<p>Berlin Industries, Inc. dba</p> <p>ZIM'S</p> <p>has been acquired by</p> <p>KOBAYASHI</p> <p>Advisor to Berlin Industries</p>	<p>ALTERNA™ PROFESSIONAL HAIR CARE</p> <p>has been acquired by</p> <p>Markham Prestige Group</p> <p>owners of</p> <p>PUREOLOGY serious colour care</p> <p>Advisor to Alterna*</p>	<p>JOICO</p> <p>and its subsidiaries</p> <p>has been acquired by</p> <p>ZOTOS</p> <p>a subsidiary of</p> <p>SHISEIDO</p> <p>Advisor to JOICO*</p>	<p>allegro</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

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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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