



Beauty Care M&A Report - Q3'18

On Track for Another Record Breaking Year

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11755 Wilshire Blvd., 22nd Floor, Los Angeles, CA 90025 T 310.478.9000 F 310.478.9004 Member FINRA/SIPC

On Track for Another Record Breaking Year

Despite a slight decline in deal volume in Q3'18, beauty care deal volume remained on pace for another record year, and the third year in a row with over 100 total M&A transactions. The quarter also witnessed a fairly equal mix between large strategic acquirers, highlighted by L'Oréal and Procter & Gamble (P&G), private equity-backed platform acquirers, and private equity growth and buyout investments.

In order to surpass 2017 beauty care M&A transaction levels for the year, the market will need to deliver 24 M&A deals in Q4'18—stay tuned.

Q3'18 Beauty Care M&A highlights include:

- Deal volume declined approximately 7% from Q2'18 and almost 4% from Q3'17.
- Deal volume is still up over 9% year-to-date 2018 versus last year.
- Large strategic acquirers continue to be active with deals announced by L'Oréal, P&G and The Hut Group.
- Private equity platform companies continue to make their impact on the M&A landscape with deals by Topspin-backed JD Beauty Group and Yellow Wood-backed Freeman Beauty.
- Private equity groups were active with notable deals from Alliance Consumer Growth and Eurazeo Brands, along with first-time beauty entrant Hammond, Kennedy, Whitney & Co.



Steve Davis

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

Recently Closed Transactions

Yellow Wood Partners Acquires Paris Presents

Yellow Wood Partners acquired Paris Presents from EagleTree Capital. Paris Presents will be merged with current Yellow Wood portfolio company Freeman Beauty, which was acquired in August 2017. Founded in 1947, Paris Presents creates and distributes cosmetic and bath accessories, most notably under the Real Techniques, EcoTools and Body Benefits by Body Image brands. The company maintains broad distribution across the food, drug, mass, specialty and eCommerce channels, with significant overlap in both customer demographic and distribution footprint with Freeman Beauty. Yellow Wood seeks to accelerate growth across channels and pursue additional complementary add-on acquisition opportunities. Yellow Wood previously built PDC Brands, a platform of mass and specialty beauty brands through acquisition, before selling it to CVC Capital Partners in 2017 for a reported \$1.4 billion. According to industry sources, Paris Presents will generate more than \$200 million in revenue and \$50 million in EBITDA in 2018.

Paris Presents
INCORPORATED

Yellow Wood
PARTNERS

JD Beauty Adds to Its Hair Care Platform With the Acquisition of Ouidad

JD Beauty Group, a portfolio company of Topspin Partners and the parent company of industry-leading hair care brands Wet Brush and Bio Ionic, acquired Ouidad, the curl expert hair care and styling brand, from JH Partners. Founded in 1984, Ouidad is an award-winning hair care brand devoted to the large, high-growth curly hair category with strong relationships in the professional channel and a rapidly expanding eCommerce presence. Ouidad will join JD Beauty's existing portfolio including Wet Brush, the No. 1 hair brush brand sold through the professional beauty channel and the fastest growing hair brush brand in the consumer retail channel, as well as Bio Ionic, a leading provider of high-performance beauty tools and appliances for the professional salon industry. The complementary acquisition further diversifies JD Beauty's product portfolio and adds a strong presence in the liquids category. The acquisition also further highlights strong M&A interest in the hair care category following the acquisitions of DevaCurl, Pulp Riot, Oribe, and Renpure over the past two years. [Intrepid advised JD Beauty in its initial investment by Topspin Partners.](#)

Ouidad
THE CURL EXPERTS®



tOspin

Procter & Gamble Expands Prestige Skin Care Portfolio With Acquisition of First Aid Beauty

Procter & Gamble (P&G) (NYSE: PG) remains active in the M&A game with its second prestige skin care acquisition in 2018, First Aid Beauty. Founded in 2009, First Aid Beauty is a prestige skin care brand centered around healing and clean beauty, with over 1,300 banned ingredients. The remedy-based beauty brand maintains distribution with leading prestige and specialty retailers, including Sephora and Ulta, as well as across the eCommerce and home shopping channels. The transaction will enable First Aid Beauty to rapidly expand international distribution and provides P&G a complementary prestige skin care brand alongside SK-II and recently acquired Snowberry. Castanea Partners made a minority investment in First Aid Beauty in 2015. According to industry sources, P&G acquired the brand for close to \$250 million, implying a revenue multiple of between 4.5x and 5x.



P&G

L'Oréal Acquires Logocos Naturkosmetik

L'Oréal acquired Logocos Naturkosmetik AG, a natural cosmetics brand based in Germany. Founded in 1978 by a naturopath, Logocos operates through two primary brands—Logona and Sante. Logona specializes in premium hair care, skin care, hair color and hygiene products sold through natural and organic retailers. The Sante brand focuses on affordable skin care, makeup, hygiene and hair care products sold in mass retailers and targeted to younger consumers. In 2017, Logocos generated net sales of £59 million. L'Oréal plans to expand the brands globally.

LOGOCOS
NATURKOSMETIK AG
The Natural
Care Company

L'ORÉAL

Ancora Beauty Platform Invests in Vapour Organic

The acquisition of Vapour Organic Beauty marks the second investment by beauty and personal care platform Ancora Holdings, a partnership of beauty industry veterans Nicky Kinnaird and Lori Perella Krebs, and private equity firm Winona Capital. Launched in 2009, Vapour is a natural, high-performance, prestige color cosmetics brand focused on sustainability and ingredient transparency. The brand has expanded its SKU base from 33 to 180 in less than 10 years, while gaining significant distribution across the natural, specialty and eCommerce channels. The transaction reaffirms Ancora's dedication to the clean beauty category, following its first investment in Indie Lee, just over one year prior.

V VAPOUR ORGANIC BEAUTY

ancora

Eurazeo Brands Takes Minority Stake in Pat McGrath Labs

Eurazeo Brands, launched by public investment vehicle Eurazeo SE (ENXTPA: RF) to invest exclusively in branded consumer businesses in the U.S., completed a minority investment in high-growth, color cosmetics brand Pat McGrath Labs. Founded in 2016 by leading makeup artist Pat McGrath, the company offers a portfolio of eye, lip and highlighter cosmetic products through its Website and in select Sephora locations. Since its launch, the brand has generated more than 30 billion media impressions, won Facebook's "Most Engaged Beauty Brand" and is ranked in the top-selling SKU base at Sephora. According to industry sources, Eurazeo invested \$60 million for an estimated 5% to 8% ownership in the company, bringing the brand's total funding to \$88 million. The cosmetics line is expected to reach over \$60 million in retail sales in 2018.

PAT McGRATH LABS

eurazeo

Recently Closed Transactions (cont.)

Hammond, Kennedy, Whitney & Co. Enters the Beauty Arena With Indigo Wild

Hammond, Kennedy, Whitney & Company (HKW) acquired Indigo Wild, a provider of natural bath, skin, home and cleaning products. Founded in 1996, Indigo Wild is best known for its Zum product line, and in particular its top-selling Zum Bar Goat's Milk Soap. The company sells through its Website and to select grocery, specialty and online retailers including Whole Foods. According to industry sources, Indigo Wild generates approximately \$30 million to \$40 million in annual sales. Indigo Wild represents HKW's first investment in the beauty industry.



Ouai Haircare Receives Minority Investment From Alliance Consumer Growth

Alliance Consumer Growth (ACG) acquired a minority stake in Ouai, a prestige hair care products and supplement line. Founded in 2009 by Jen Atkin, the company has experienced rapid recent growth leveraging the founder's celebrity hair stylist status and social media following. The company sells through Sephora, QVC, Nordstrom, Neiman Marcus, Barneys and Amazon. According to industry sources, Ouai generated \$15 million in revenue in 2017 and is on track to reach \$23 million in 2018. Colin Walsh, former CEO of DevaCurl, has also joined the company as the new CEO. ACG has been one of the most active investors in beauty care with current investments in Tata Harper, Pacifica, Harry's, Nudestix and Lola.

OUAI



WellBiz Expands Franchise Platform Into Beauty With Acquisition of Amazing Lash

WellBiz Brands acquired Amazing Lash Studio, a chain of retail salons that offer and apply semi-permanent eyelash extensions. Founded in 2010, Amazing Lash operates over 200 franchise locations in 33 states with an intention to open four to ten new locations each month. WellBiz Brands is a franchise company with a focus in the health and wellness space. The acquisition complements its other health and wellness platforms—Elements Massage, FIT36 and Fitness Together—and represents its first investment in the beauty care sector.



General Atlantic Invests in European Wax Centers

General Atlantic invested in European Wax Centers (EWC). Founded in 2004, EWC offers a complete list of waxing services alongside a proprietary line of body, brow and skin care products. The company's franchise network consists of more than 685 locations throughout the U.S. With the investment, EWC plans to accelerate the growth of its franchise network.



The Hut Group Expands Beauty Capabilities With the Acquisition of Acheson & Acheson

The Hut Group acquired Acheson & Acheson, a British contract manufacturer for prestige beauty brands. Founded in 1992, the company provides design, formulation development, sourcing, testing, manufacturing, warehousing and distribution. The company also developed its own skin care brand, Ameliorate, which is sold through Space NK Apothecary, Selfridges, Boots, Harvey Nichols and Marks & Spencer. The acquisition allows The Hut Group to fully integrate into the beauty sector with plans to replicate this product formulation and contract manufacturing model across its geographic footprint in the U.S. and Europe.



THEHUTGROUP

Johnson & Johnson Acquires Zarbee's Natural from L Catterton

Johnson & Johnson (J&J) acquired Zarbee's Natural, a leader in naturally-based consumer healthcare products, from L Catterton. Launched in 2008 as a drug-free children's cough syrup, the brand today is the No. 1 pediatrician-recommended cough syrup brand for children under age ten and has successfully expanded its better-for-you product portfolio across the sleep, immune support and vitamin categories. L Catterton acquired a majority stake in 2011. Zarbee's will join the Tylenol, Motrin, Band-Aid, Listerine and Rogaine brands, among others, in J&J's Consumer Division. The Zarbee's acquisition represents an expansion into the natural sector for the J&J Consumer Division in the U.S. and increases the company's reach to health-conscious millennial parents.



Johnson & Johnson

Newell Brands Divests Goody Products to ACON

ACON Investments entered the beauty and personal care arena with the acquisition of beauty tools and accessories brand, Goody Products, from Newell Brands. Initially founded in 1907 as H. Goodman & Son, Goody is an Atlanta-based manufacturer of hair styling tools and accessories with distribution across the food, drug, mass, specialty, discount and eCommerce channels, including Target, Walmart, CVS, Walgreens, Meijer and Amazon. Newell Brands is a leading global consumer goods company with a portfolio of well-known consumer brands including Paper Mate, Sharpie, Elmer's, Coleman, Oster, Sunbeam, Graco, Baby Jogger, Rubbermaid and Yankee Candle. The Goody management team, led by Kim Hoelting, will continue to operate the brand under its new ownership.



Industry News

PDC Brands Rumored to Be Eyeing the Public Markets

PDC Brands (PDC), a beauty and personal care platform with a portfolio of category-leading mass market brands, is preparing to go public according to industry sources. Founded in 1981, PDC consists of a portfolio of brands across the hair care, color cosmetics, fragrance, nail care, and bath and body care categories, most notably with Cantu, Dr. Teal's, Original Additions, Bodycology, Body Fantasies, Bod Man and ME! Bath. The company sells across the mass, drug, grocery and specialty channels in the U.S. and internationally. CVC Capital Partners acquired the platform for a reported \$1.4 billion from Yellow Wood Partners in June 2017. According to a Bloomberg article, the initial public offering is set for 2019.



Walgreens Partners With Online Beauty Retailer Birchbox

Walgreens acquired a minority stake in Birchbox as part of a broader partnership between the digital beauty subscription company and brick and mortar retailer. Birchbox was founded in 2010 as a personalized monthly subscription of beauty care products and maintains a subscriber base of 2.5 million. In addition to the minority investment, Walgreens plans to roll-out a test of Birchbox shops within 11 pilot stores in the U.S. These Birchbox shops will offer select prestige, professional and digitally native brands not typically found in the mass market. Birchbox will benefit from exposure to the Walgreen's customer and will offer its subscription programs in store. The partnership with Birchbox follows recent Walgreens moves to differentiate its beauty department, including remodeling stores, adding higher-end beauty brands, hiring 3,500 beauty consultants, and rolling out a beauty-based membership program. This acquisition marks the second deal for Birchbox following a significant investment by Viking Global earlier this year.



Nestlé Exploring Strategic Options for the Nestlé Skin Health Division

Nestlé's board of directors confirmed that Nestlé will explore strategic options for its skin health division to better focus on its food, beverage and nutritional health products platforms. The Nestlé Skin Health Division was created in 2014 upon the acquisition by Nestlé of L'Oréal's stake in Galderma. The division maintains a portfolio of prescription, aesthetics and consumer skin care brands (most notably Cetaphil and Proactiv) and generated sales of approximately \$2.8 billion in 2017.



Influenster Released Annual Reviewers' Choice Awards for Best in Beauty

Influenster released its fourth annual Reviewers' Choice Awards for Best in Beauty. Influenster selected 169 winners based on more than six million reviews of FDM, prestige and indie beauty brands across the color cosmetics, skin care, hair care, fragrance and nail categories over the last 12 months. The finalists were chosen based on both volume of Influenster reviews and high-star ratings. While large global players including L'Oréal, e.l.f. Cosmetics, Redken, Dove and Maybelline received recognition, numerous high-growth digital and indie brands garnered awards, including Morphe, Glossier, Drunk Elephant, OUAL, ColourPOP, Amika and BH Cosmetics, among others.



Hair Leads Growth in Prestige Beauty Category

Prestige hair care is currently growing faster than both makeup and skin care in the U.S. According to data from the NPD Group, prestige hair care increased 19% driven by new products, increased retail distribution and consumer demand for high-performance brands. Such trends are mirrored with the leading prestige retailers Sephora and Ulta both reporting rapid growth in the prestige hair care category.



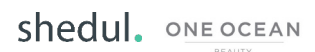
L Catterton Explores the Sale of Elemis

L Catterton, owner of luxury skin care brand Elemis, is rumored to be exploring a potential sale of the brand according to industry sources. Founded in 1988, Elemis is a leading luxury British skin care brand selling anti-aging skin care and body care products that combine scientifically-proven formulations with plant-based botanical ingredients. Elemis sells its products across a broad distribution network, including over 1,600 spas and salons, non-traditional outlets, such as cruise ships and airports, select prestige and specialty retailers such as Nordstrom and Ulta, as well as QVC, select online retailers and Elemis.com. According to industry sources, Elemis generates an estimated \$50 million in EBITDA. L Catterton acquired the brand in 2015 as part of its acquisition of Steiner Leisure.











Venture Capital Activity Remains High in the Beauty Care Sector

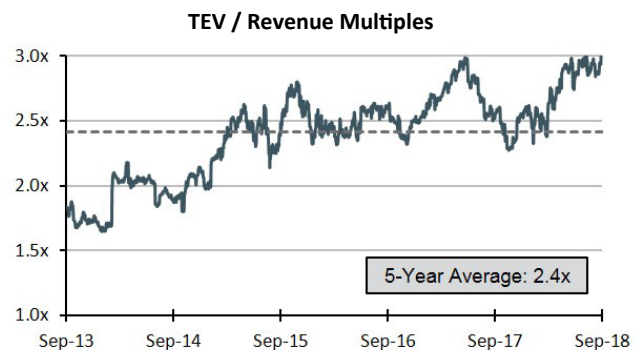
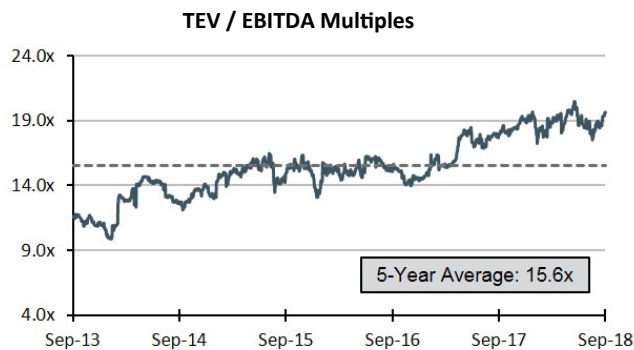
The beauty and personal care market continues to see an increasing volume of early-stage venture investments as highlighted by several high-growth brands that received funding over the last quarter. Schedul, the world's most popular booking platform for salons and spas, received an investment of \$5 million from Target Global. One Ocean Beauty, a clean, sustainable beauty and wellness collection, completed a Series A minority investment from The Lubrizol Corp., a Berkshire Hathaway company. Beiersdorf completed a growth equity investment in S-Biomedic, a Belgium-based life science company specializing in research of skin microbiome. Natural makeup brand Kosås, a Los Angeles-based color cosmetics brand, has obtained a Series A round of funding from CircleUp Growth Partners. Finally and most significantly, Him's, an online hair-loss, skin care and erectile-dysfunction company, raised \$50 million in a Series B2 round led by Institutional Venture Partners, bringing the company's total funding to \$97 million.



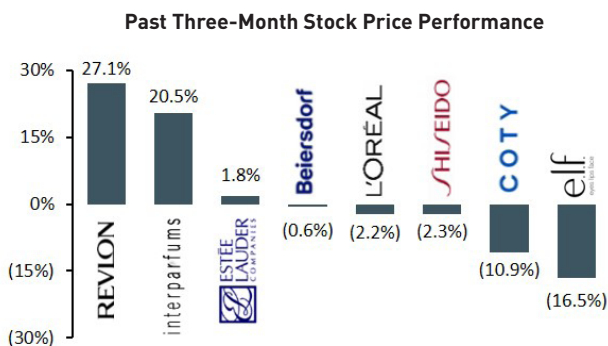
Publicly Traded Companies (USD Millions)

Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
 Beiersdorf	\$23,505	\$25,544	\$8,293	58.1%	17.6%	2.5%	2.7%	2.8x	16.1x
	\$17,290	\$9,430	\$9,398	62.3%	14.7%	6.7%	29.5%	1.8x	12.5x
	\$741	\$606	\$278	60.1%	17.2%	5.2%	24.3%	2.7x	15.5x
	\$54,102	\$53,251	\$13,683	79.3%	20.4%	11.9%	7.6%	4.0x	19.4x
	\$1,988	\$2,019	\$640	56.1%	15.6%	11.0%	10.4%	3.1x	19.9x
	\$134,253	\$134,670	\$30,134	72.4%	22.2%	0.3%	1.7%	4.5x	20.1x
	\$4,177	\$1,192	\$2,621	57.3%	4.0%	(3.2%)	11.4%	1.6x	nm
	\$30,724	\$31,324	\$9,499	78.2%	15.0%	11.1%	9.0%	3.2x	21.5x
Mean			65.5%	15.8%	5.7%	12.1%	3.0x	17.9x	
Median			61.2%	16.4%	5.9%	9.7%	3.0x	19.4x	

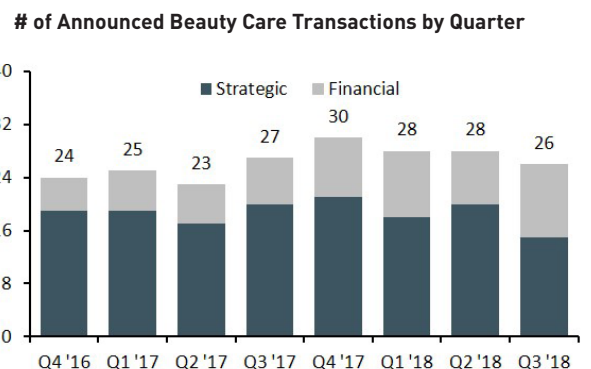
Historical Public Company Trading Multiples



Global Beauty Care Stock Price Performance



Global Beauty Care M&A Transactions



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>MARC ANTHONY® TRUE PROFESSIONAL</p> <p>has received an investment from</p> <p>TA ASSOCIATES</p> <p>Advisor to Marc Anthony</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>Continental Fragrances, Ltd. dba</p> <p>SG 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>L'ANZA®</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>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>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 The Solution for Scars™</p> <p>to</p> <p>Perrigo</p> <p>Advisor to Enaltus</p>	<p>JD Beauty Group</p> <p>jd</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>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>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 HAIRCARE</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>product club</p> <p>has been acquired by</p> <p>BURMAX</p> <p>Advisor to Product Club</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



Steve Davis

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



Andrew Colmar

Associate
acolmar@intrepidib.com



Lauren Antion

Associate

Intrepid provides M&A, capital raising and strategic advisory services to entrepreneurs and middle-market companies in various industry sectors. Our heritage, rooted in our founders' successful 35-year history, breeds a culture that embraces teamwork, tenacity and creativity to win big for our clients. We believe that every company has an entrepreneurial passion that drives it and a story that defines it. Our team delivers results through skillful positioning and relentless execution. Based in Los Angeles, Intrepid augments its international capabilities through its active participation in Oaklins, an exclusive global alliance of M&A advisory firms.

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