



*Beauty Care M&A Report - Q4'18*

## Beauty Care M&A Carries Hot Streak Into 2019

## Beauty Care M&A Carries Hot Streak Into 2019

The Beauty Care M&A market finished 2018 with 29 transactions in Q4'18, bringing total transactions to 111 for the year, a 6% increase over 2017. This also signified the third straight year with deal volume over the century mark. Deal volume remained strong in Q4'18 with the second highest number of quarterly beauty care deals in the last five years, just behind the record volume experienced in Q4'17. Although the quarter lacked high profile or mega deals, strategic buyers remained active and new private equity capital continued to invest in the sector.

While people may be a little nervous as we head into our 11th year of a bull market, we remain optimistic about the beauty care M&A sector. At the risk of sounding like a broken record, we are forecasting more of the same positive momentum in 2019. All the strategic buyers remain active, private equity continues to target the beauty care sector, more private equity platforms have formed and our beauty care backlog looks great.

We hope everyone had a prosperous 2018, and we look forward to another good year for beauty care M&A in 2019.

### *Q4'18 Beauty Care M&A highlights include:*

- Deal volume increased 12% from Q3'18 and remained relatively flat with Q4'17 (which was a record quarter).
- Strategic acquirers remained active including announced deals from Procter & Gamble, Johnson & Johnson and Laboratoires Expanscience.
- New private equity continued to enter the beauty care sector with investments from Cathexis Holdings, Silas Capital, Cornell Capital and Transom Capital.
- The hair care M&A market was active with deals involving Walker & Co., Bellami Hair, Fekkai Brands and Beauty Industry Group.
- Contract manufacturing continued to witness high M&A activity with acquisitions of Knowlton Development Corporation and Cosmetic Essence Innovations.

A handwritten signature in black ink, appearing to read "SD".

### **Steve Davis**

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

## Recently Closed Transactions

### Procter & Gamble Acquires Walker & Company Brands

Procter & Gamble (P&G) (NYSE: PG) remains active in M&A with its third beauty care acquisition in 2018, Walker & Company Brands. Founded in 2013 by venture capitalist Tristan Walker, the company seeks to make health and beauty simple for people of color through a portfolio of two multicultural brands. Bevel is a men's grooming brand focused on coarse, curly hair and is sold across the direct-to-consumer channel as well as through Amazon and Target. Form is a women's multicultural hair care brand sold direct-to-consumer and through Sephora. The transaction will provide P&G increased access to the multicultural consumer and expand its presence in the direct-to-consumer channel. The company is relocating its headquarters to Atlanta in 2019, where founder Tristan Walker will continue to operate the brand under its new ownership.

WALKER  
AND  
COMPANY

**P&G**

### Laboratoires Expanscience Acquires Babo Botanicals

Family-owned French pharmaceutical and dermocosmetics company, Laboratoires Expanscience, acquired botanically-infused mineral skin care brand, Babo Botanicals. Founded in 2010, Babo Botanicals provides safe, efficacious and natural products across the skin care, sun care and hair care categories for babies, children and adults with sensitive skin. Babo Botanicals products are available in premium and natural specialty stores, grocery stores and online. The acquisition complements current Laboratoires Expanscience brand, Mustela, a skin care brand formulated for newborns, babies, children, and mothers-to-be. The transaction also allows Laboratoires Expanscience to strengthen its market position in the baby and family category and expand its presence in the U.S. According to industry sources, Babo Botanicals generates approximately \$20 million in retail sales. Babo Botanicals previously obtained a minority investment from JMK Consumer private equity fund.

babo.  
BOTANICALS

**EXPANSIENCE®**  
LABORATOIRES

### Continued Consolidation in Beauty Care Contract Manufacturing

Beauty care contract manufacturing continues to attract strong interest as highlighted by the recent acquisitions of Knowlton Development Corp. (KDC) and Cosmetic Essence Innovations (CEI). KDC was acquired from private equity group Novacap by a group of investors led by Cornell Capital, HarbourVest Partners and existing management. Founded in 2002, KDC formulates and manufactures products for leading brands primarily across the cosmetics, skin care, hair care, fragrance, personal care and household categories. KDC operates 10 facilities in North America and has made seven add-on acquisitions in the last four years. Existing shareholders, Caisse de dépôt et placement du Québec, a Canadian fund manager, and investment firm Investissement Québec will both retain significant stakes in KDC. Vee Pak, a portfolio company of Wind Point Partners, announced the acquisition of beauty care contract manufacturer CEI. CEI formulates and manufactures beauty care products across the fragrance, skin care, hair care and color cosmetics categories. The acquisition follows Wind Point's acquisition of Vee Pak in 2017 and its subsequent add-on of Aware Products in late 2017 (Intrepid advised Aware Products on its sale to Vee Pak).

**kdc/one**

**CORNELL**  
CAPITAL

**HARBOURVEST**

**CEI** cosmetic essence  
innovations

**VEEPAK**

### Bellami Hair Sells Minority Stake and Secures Growth Capital

Bellami Hair, a Los Angeles-based premium hair extensions brand, received a \$20 million minority investment from private equity firm Cathexis Holdings with a further \$100 million capital commitment for growth. Founded in 2012 by Julius Salerno and Nikki Eslami, Bellami Hair designs hair care extensions and markets in partnership with top beauty influencers, including Kylie Jenner and Guy Tang, to a rapidly expanding base of digital consumers. In addition, the company has opened six Bellami Beauty Bars, brick and mortar locations with both retail and salons, in high profile markets including Los Angeles, Houston, Miami, New York, Las Vegas and Vancouver. Furthermore, the company recently launched Bellami Professional to provide hair extension products and education to stylists. With the investment, Bellami Hair plans to launch additional Bellami Beauty Bars, support the expansion of Bellami Professional and continue to grow its online platform.

BELLAMI

**CATHEXIS**

### Ulta Enters Beauty Care M&A Arena With Two Technology Investments

Ulta Beauty (NasdaqGS: ULTA) completed its first two beauty related acquisitions, QM Scientific and GlamST, to capitalize on its consumer data and further its technology infrastructure and digital strategy. QM Scientific is an artificial intelligence retail platform that learns consumers preferences by mining data from point of sale, loyalty programs and the internet to provide a personalized shopping experience and drive higher volume per consumer. GlamST is an augmented reality beauty technology company that allows consumers to virtually sample cosmetics on mobile, internet and in-store. In addition, Ulta completed two technology investments in Spruce, an online booking tool, and Iterate, a digital workflow partner. With over 1,100 stores in the U.S., Ulta is now investing in the expansion of its digital ecosystem as consumers seek a more personalized shopping experience. Ulta will continue to acquire and invest in brands that provide new data-streams, build digital capabilities and enhance consumer personalization.

**QM** SCIENTIFIC

**GLAMST**

**ULTA**  
BEAUTY



## Recently Closed Transactions (cont.)

### Johnson & Johnson Acquires Remaining Shares of Japanese Ci:z Holdings

Johnson & Johnson (J&J) (NYSE: JNJ) agreed to acquire all the remaining outstanding shares of Japanese skin care company Ci:z Holdings for \$2.1 billion in cash through a tender offer. Ci:z Holdings markets a portfolio of dermocosmetic, cosmetic and skin care products through three core brands, Dr.Ci:Labo, Labo and Genomer. J&J, through an affiliate, already owned 19.9% of Ci:z Holdings as part of a previous strategic collaboration to distribute the company's brands outside of Japan. The acquisition will strengthen J&J's market presence in Japan and enhance its offerings in the dermocosmetics category. The tender offer is expected to close in the first quarter of 2019 with the close of the transaction in the first half of 2019.

**CI:Z HOLDINGS**

*Johnson & Johnson*

### Fekkai Brands Acquired Again

Fekkai Brands was acquired for the fourth time since its founding in 1996, this time by the original founder and namesake Frédéric Fekkai, in partnership with Cornell Capital. Fekkai Brands markets hair care products, including shampoos, conditioners, treatments, hair fragrances and styling products, through mass and masstige retailers. Fekkai Brands also owns several premier salons in the U.S. and the brand The One by Frédéric Fekkai, sold through Ulta and select U.S. salons. Fekkai Brands and Bastide, a luxury fragrance and body care brand, will operate under the newly formed holding company, Blue Mistral, formed by Frédéric Fekkai and Cornell Capital. Fekkai Brands was sold to Procter & Gamble for a reported \$440 million in 2008, which then divested the brand to a joint venture formed by the CEOs of Designer Parfums and LUXE Brands for a small fraction of that price. According to WWD, Fekkai Brands currently generates estimated wholesale revenue of approximately \$35 million.

*Frédéric Fekkai*

**CORNELL CAPITAL**

### Sola Salon Studios Receives Majority Investment Led by MPK Equity

Sola Salon Studios completed a majority recapitalization with three investment groups including MPK Equity Partners, PNC Riverarch Capital and AHR Growth Partners. Founded in 2004, Sola Salon Studios is a franchisor and operator of salon suites for beauty professionals, including hairdressers, estheticians, nail technicians and massage therapists. The company currently supports approximately 11,000 stylists across 450 locations. With the investment, Sola Salon Studios will invest in innovation and technology, company-owned locations and international expansion. The founders retained an interest in the company and Chief Executive Officer, Randall Clark, will continue to lead the company.

*Sola*  
SALON STUDIOS

**MPK**  
EQUITY PARTNERS

### Beauty Industry Group Continues to Consolidate Hair Extensions Category

Beauty Industry Group (BIG), a platform for professional hair extensions and related beauty products, acquired the assets of HaloCouture and Hidden Crown Hair Extensions. Founded in 2010, HaloCouture is a provider of the Halo hair extensions system to more than 5,000 salons across North America. Founded in 2013, Hidden Crown Hair Extensions is a provider of hair extensions marketed through high profile celebrities and social influencers. The acquisitions follow BIG's acquisition of International Designs Corporation, provider of professionally-installed hair extensions under the Hot Heads and Hair Talk brands, in 2017.



HiddenCrown

**BIG**  
Beauty Industry Group

### ILIA Beauty Secures Investment from Silas Capital

Clean beauty brand, ILIA Beauty secured a minority growth investment from Silas Capital. Founded in Vancouver in 2011, ILIA is a prestige, better-for-you and high-performance cosmetics line. With a hybrid of clean ingredients and safe synthetics, ILIA expanded its product portfolio from its core lip category to span the face, lip, eye and tools categories. The brand currently sells at the Detox Market, Credo, Bluemercury, Space NK and Mecca, and in select Sephora doors. The investment will fund increased brand awareness across both online and retail channels while further developing ILIA's direct-to-consumer business. According to industry sources, ILIA has doubled sales annually over the last three years and expects to reach \$20 million in retail sales in 2019 across 500 doors and 30 countries.

ILIA

SILAS CAPITAL

### Transom Capital Group Enters Beauty Care With Acquisition of Gene Juarez Salons & Spas

Transom Capital Group acquired Gene Juarez Salons & Spas, a premier salon and spa operator in the Pacific Northwest, from Evergreen Pacific Partners. Founded in 1971, Gene Juarez operates ten award-winning salon and spa locations and two beauty academies in the Puget Sound region. Operationally-focused investor, Transom Capital, seeks to invest in both current and new locations and technology infrastructure to grow the brand and platform.

GENE JUAREZ  
SALONS & SPAS

**TRANSOM**  
CAPITAL GROUP

## Industry News

### L'Oréal Launches In-House Venture Capital Fund

L'Oréal launched its first venture capital fund, Business Opportunities for L'Oréal Development ("BOLD"), to acquire minority stakes in high growth, innovative beauty care start-ups. L'Oréal plans to invest in new business models across the beauty care landscape, providing financial support, networking and mentorship while preserving the autonomy of the target. BOLD completed its first investment in Sillages Paris, an online provider of customizable fragrances based on machine learning and artificial intelligence. Sillages Paris has been a part of L'Oréal's incubator, Station F, since June 2018. The founding of BOLD builds upon L'Oréal's current partnerships with firms including Raise Ventures, Partech International Ventures, Founders Factory and Station F.

SILLAGES  
PARIS

L'ORÉAL  
PARIS

### Colgate-Palmolive Invests Series A Funding in Bombay Shaving Company

Colgate-Palmolive led a Series A capital investment round in Bombay Shaving Company for a reported \$2.6 million representing a 14% ownership stake. Fireside Ventures, an existing investor in Bombay Shaving Company, also participated in the Series A round. Bombay Shaving Company, based in India, is a fast-growing men's grooming brand with over 30 products across the shaving, bath and body, beard care and skin care categories. Supported by a rapidly expanding men's grooming category in India, Bombay Shaving Company has grown to more than 80,000 customers and 500 stores since its launch in 2016. The funds will be used to invest in brand building, product development, technology and sales.

BOMBAY  
SHAVING  
COMPANY

COLGATE-PALMOLIVE

### Glansol Filed Chapter 11 Bankruptcy

Glansol, a prestige beauty and personal care company founded through the partnership of former Revlon CEO Alan Ennis, and global private equity firm, Warburg Pincus, filed for Chapter 11 bankruptcy. Glansol acquired the Laura Geller, Julep and Clark's Botanicals brands in 2016 with the strategy of acquiring, integrating and growing a portfolio of premium brands and a goal to ultimately take the prestige beauty platform public. According to court filings and other sources, the Glansol platform failed due to unrealized synergies, management turnover and declining sales in both brick-and-mortar and shopping channels, all compounded by high chargebacks and returns. The company filed bankruptcy in New York while simultaneously seeking permission to sell its assets to AS Beauty LLC as a going concern. The sale is subject to better offers and a court-supervised marketing process, but Glansol's lenders support the sale and anticipate court approval in early 2019.

GLANSAOL  
BEAUTY

### Women's Wear Daily Ranks the Best Beauty Brands of 2018

Women's Wear Daily's Beauty Inc. hosted its 17th annual beauty awards, publishing its annual list of leading beauty care brands across 20 categories. Several notable awards included prestige products of the year to Shiseido Makeup (color cosmetics), Beauty Bio (skin care), Hair Rituel By Sisley Paris (hair care) and KKW Fragrance (fragrance); mass products of the year to Maybelline New York Tattoo Studio (color cosmetics), C&C by Clean & Clear (skin care) and TRESemmé Compressed Micro-Mist (hair care); brand of the year in prestige to Benefit and in mass to Olay; and indie brand of the year to Huda Beauty.

BEAUTYINC  
WWD

### Influenster Releases its 'Year in Beauty' Insights

Influenster released its 2018 'Year in Beauty' Insights. Influenster analyzed more than six million reviews of FDM, prestige and indie beauty brands over the last 12 months to determine the categories, products and brands driving growth across the beauty care sector. In review volume, face masks and makeup brushes and sponges experienced the highest growth, while hair care fell behind skin care and color cosmetics. According to Influenster, consumers are increasingly interested in the mind-body-spirit connection to beauty, are seeking specialized beauty ingredients including charcoal, coconut water, matcha and probiotics, and are searching for at-home spa devices.

influenster

### Early-Stage Venture Capital Continues Flow into the Beauty Care Sector









Beauty and personal care continues to attract venture capital interest. In two of the larger venture capital raises, Mayvonn, an online provider of hair extensions, received \$23 million in Series B funding, and Quip, a subscription-based electric toothbrush provider, raised \$40 million. In other deals, Prose, a personalized hair care company powered by artificial intelligence, received \$18 million in Series B funding from Venture Partners. Maapilim, a men's personal care and wellness start-up, completed a \$4 million Series A round with Viola Ventures, Kaedan Capital, Keshet International and Dick Clark Productions. Sphynx, a women's razor start-up, received a \$2 million investment from Ludlow Ventures, Wavemaker Partners and Trail Mix Ventures. Heyday, a facial treatment provider, closed a Series A round of \$8 million with Fifth Wall Ventures.

MAYVENN  
quip prose

MAAPILIM SPHYNX

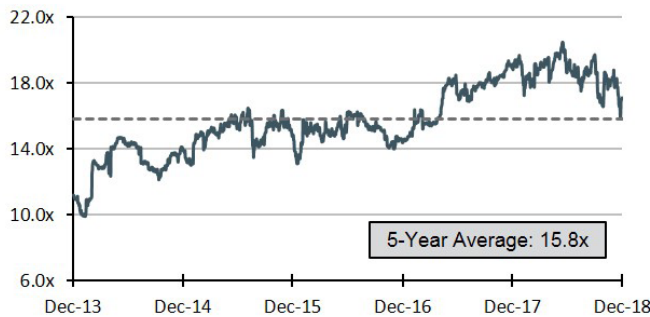
HEYDAY  
FACE LIFE FRESH™

## Publicly Traded Companies (USD Millions)

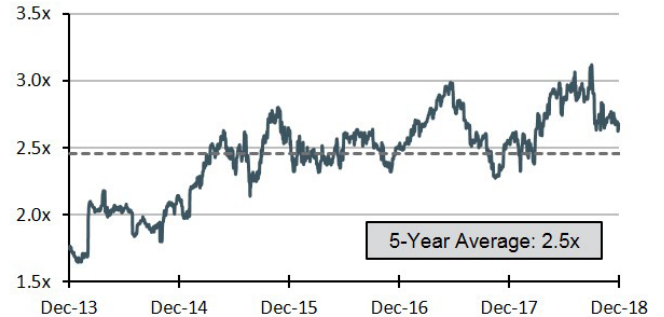
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
 <b>Beiersdorf</b>	\$21,691	\$23,709	\$8,205	58.1%	17.6%	1.4%	2.3%	2.6x	15.0x
 <b>COTY</b>	\$13,126	\$4,927	\$9,191	62.0%	14.5%	0.5%	29.1%	1.4x	9.9x
 <b>elf</b>	\$535	\$418	\$270	60.5%	16.6%	0.2%	12.2%	2.0x	11.9x
 <b>ESTÉE LAUDER COMPANIES</b>	\$48,782	\$47,207	\$13,933	79.0%	20.5%	9.1%	8.0%	3.5x	17.1x
 <b>interparfums</b>	\$2,035	\$2,055	\$648	56.1%	15.7%	9.6%	11.4%	3.1x	20.0x
 <b>L'ORÉAL</b>	\$128,687	\$129,100	\$29,816	72.4%	22.2%	(0.1%)	2.3%	4.3x	19.4x
 <b>REVLON</b>	\$4,442	\$1,331	\$2,610	56.6%	3.9%	(3.1%)	10.9%	1.7x	nm
 <b>SHISEIDO</b>	\$25,014	\$25,367	\$9,951	78.4%	14.7%	7.4%	3.1%	2.5x	17.1x
			Mean	65.4%	15.7%	3.1%	9.9%	2.7x	15.8x
			Median	61.2%	16.2%	0.9%	9.4%	2.6x	17.1x

## Historical Public Company Trading Multiples

TEV / EBITDA Multiples

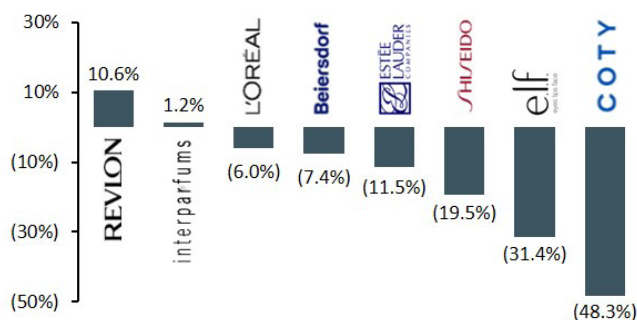


TEV / Revenue Multiples



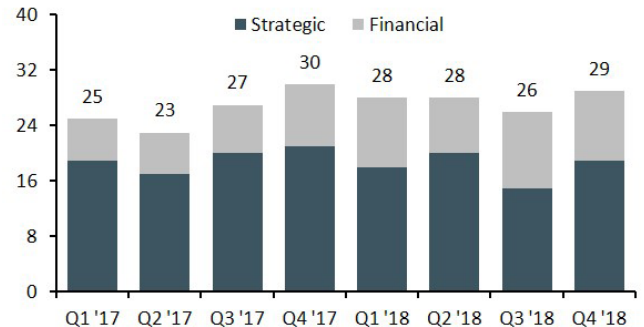
## Global Beauty Care Stock Price Performance

Past Three-Month Stock Price Performance



## Global Beauty Care M&A Transactions

# of Announced Beauty Care Transactions by Quarter





## Select Transactions

<p><b>NATIVE</b></p> <p>has been acquired by</p> <p><b>P&amp;G</b></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><b>GENERAL ATLANTIC</b></p> <p>in conjunction with Too Faced founders and senior management</p> <p>Advisor to Too Faced Cosmetics</p>	<p><b>MARC ANTHONY®</b> TRUE PROFESSIONAL</p> <p>has received an investment from</p> <p><b>TA ASSOCIATES</b></p> <p>Advisor to Marc Anthony</p>	<p><b>PUREOLOGY</b> serious colour care</p> <p>a portfolio company of</p> <p><b>TSG CONSUMER PARTNERS</b></p> <p>has been acquired by</p> <p><b>L'ORÉAL</b></p> <p>Advisor to PUREOLOGY*</p>
<p>Continental Fragrances, Ltd. dba</p> <p><b>SC SALON GRAFIX</b></p> <p>has been acquired by</p> <p><b>High Ridge Brands</b></p> <p>a portfolio company of</p> <p><b>BRYNWOOD PARTNERS</b></p> <p>Advisor to Continental Fragrances</p>	<p><b>DAVEXLABS LLC</b> dba</p> <p><b>L'ANZA®</b></p> <p>a portfolio company of</p> <p><b>Caltius</b> Equity Partners</p> <p>has received a growth equity investment from</p> <p><b>WESTVIEW CAPITAL PARTNERS®</b></p> <p>in partnership with Chief Executive Officer David Berglass</p> <p>Advisor to DAVEXLABS</p>	<p><b>CHATTERS</b> HAIR   BEAUTY   SALON</p> <p>has been acquired by</p> <p><b>ONCAP</b></p> <p>in partnership with the existing management team</p> <p>Advisor to Chatters Canada</p>	<p><b>AWARE™</b> PRODUCTS   LA</p> <p>has been acquired by</p> <p>VPI Holding Company, LLC</p> <p>the parent company of</p> <p><b>VEE-PAK</b></p> <p>and a portfolio company of</p> <p><b>WIND POINT PARTNERS</b></p> <p>Advisor to Aware Products</p>
<p><b>enaltus™</b></p> <p>a portfolio company of</p> <p><b>HealthEdge INVESTMENT PARTNERS</b></p> <p>has sold the brand</p> <p><b>ScarAway</b></p> <p>to</p> <p><b>Perrigo</b></p> <p>Advisor to Enaltus</p>	<p>JD Beauty Group</p> <p><b>Wet brush</b></p> <p>owner of</p> <p><b>Wet brush</b></p> <p>has obtained a majority investment from</p> <p><b>tOpospin</b></p> <p>Advisor to JD Beauty Group</p>	<p><b>LORAC</b></p> <p>has received an investment from</p> <p><b>encore™</b> consumer capital</p> <p>in partnership with management</p> <p>Advisor to LORAC Cosmetics</p>	<p><b>ENVY MEDICAL™</b></p> <p>has received a growth equity investment from</p> <p><b>HCP &amp; COMPANY</b></p> <p>Advisor to Envy Medical</p>
<p>Berlin Industries, Inc. dba</p> <p><b>ZIM'S</b></p> <p>has been acquired by</p> <p><b>KOBAYASHI</b></p> <p>Advisor to Berlin Industries</p>	<p><b>ALTERNA</b> PROFESSIONAL HAIRCARE</p> <p>has been acquired by</p> <p><b>Markham Prestige Group</b></p> <p>owners of</p> <p><b>PUREOLOGY</b> serious colour care</p> <p>Advisor to Alterna*</p>	<p><b>JOICO</b></p> <p>and its subsidiaries</p> <p>has been acquired by</p> <p><b>ZOTOS</b></p> <p>a subsidiary of</p> <p><b>SHISEIDO</b></p> <p>Advisor to JOICO*</p>	<p><b>product club</b></p> <p>has been acquired by</p> <p><b>BURMAX</b></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](mailto:sdavis@intrepidib.com)



**Andrew Colmar**

Associate  
[acolmar@intrepidib.com](mailto:acolmar@intrepidib.com)



**Lauren Antion**

Associate



**Bryce Cutrino**

Analyst

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.

**[intrepidib.com](http://intrepidib.com)** | Mergers & Acquisitions | Capital Markets | Strategic Advisory

11755 Wilshire Blvd., 22<sup>nd</sup> Floor, Los Angeles, CA 90025 T 310.478.9000 F 310.478.9004

Investment banking services offered by Intrepid Investment Bankers LLC. Member FINRA/SIPC.

**Not FDIC Insured | No Bank Guarantee | May Lose Value**