



*Beauty Care M&A Report - Q2'19*

## Big Strategic Deals Dominate the Headlines in Q2'19

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## Big Strategic Deals Dominate the Headlines in Q2'19

The Beauty Care M&A market continued its strong momentum with 33 transactions in Q2'19. M&A transaction volume in the Beauty Care sector was up 18% over both Q1'19 and Q2'18. The 33 transactions also marks the most transactions in any given quarter since the launch of Intrepid's Beauty Care M&A report in Q1'14.

Not only was deal volume at record levels but the quarter witnessed five strategic acquisitions with enterprise values in excess of \$500 million. Such activity included deals by two of the most active acquirers in the Beauty Care sector—Unilever and The Hut Group both with three deals over the past 12 months—alongside \$1 billion-plus transactions from both Edgewell and Natura.

The private equity (PE) acquirer market was relatively quiet during the quarter with deals announced by Webster Capital, Prelude Growth Partners, Lion Capital, and CITIC Capital. PE groups however were active sellers with successful exits by VMG Partners (Sun Bum), Castanea Partners (Tatcha), and Tengram Capital Partners (This Works).

### *Q2'19 Beauty Care M&A highlights include:*

- Deal volume was up 18% versus both Q1'19 and Q2'18.
- Number of Beauty Care M&A transactions set a record, representing the highest deal volume in over five years.
- Strategic acquirers dominated the quarter with acquisitions by Unilever, The Hut Group, SC Johnson, Edgewell, Beiersdorf, Natura, and LG Household & Health Care.
- PE groups were more active sellers than buyers in the quarter with notable exits from VMG, Castanea, and Tengram.



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## Recently Closed Transactions

### Unilever Adds to Prestige Portfolio With Acquisition of Tatcha

Unilever acquired 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. Unilever plans to operate Tatcha within its prestige division, which includes Garancia, Hourglass, Living Proof, Dermalogica, Kate Somerville, Murad and REN. Castanea Partners made a minority investment in Tatcha in 2017. According to industry sources, Tatcha was on track to achieve revenue of \$100 million in 2019 with transaction value approaching \$500 million, implying an approximate 5x revenue multiple. The transaction is expected to close in Q3'19.



### Edgewell to Acquire Harry's for \$1.4 Billion

Edgewell Personal Care (NYSE:EPC) is further expanding in the grooming category with its upcoming acquisition of Harry's for \$1.37 billion. Founded in 2013, Harry's is a vertically integrated, omni-channel provider of personal care and grooming products, best known for its shave subscription service. The Harry's brand will complement Edgewell's portfolio of shaving assets which includes Schick and Wilkinson Sword shaving products and razors and Edge and Skintimate shave preparations. Through the acquisition, Harry's will benefit from Edgewell's scale, R&D and broad retail distribution network, while Edgewell will leverage Harry's branding, design and direct-to-consumer marketing capabilities. Approximately 79% of the transaction value will be paid in cash and 21% in Edgewell common stock, resulting in the Harry's shareholders owning approximately 11% of Edgewell upon closing. Harry's Co-Founders, Andy Katz-Mayfield and Jeff Raider, will join Edgewell as Co-Presidents of U.S. operations. The transaction is expected to close by the end of Q1'20.



### The Hut Group Expands Branded Beauty Portfolio With Christophe Robin Acquisition

The Hut Group remains one of the most active beauty care acquirers with its most recent acquisition of luxury natural hair care brand, Christophe Robin. The company was founded in Paris in 1999 by celebrity hair colorist Christophe Robin. With more than 70 products across 10 product ranges, Christophe Robin offers a prestige hair care line formulated with natural ingredients designed to protect color, maintain scalp health and strengthen and nourish the hair. The brand is sold across the U.K., U.S., Europe and Asia through prestige retailers including Sephora and Space NK as well as online through Look Fantastic and the company website. The Hut Group continues to actively and aggressively focus on acquiring beauty care brands that they can leverage through their online system. In April, The Hut Group secured a \$1 billion line of credit to fund additional beauty and technology investments. According to industry sources, Christophe Robin reported sales of more than \$15 million in 2018, representing year-over-year growth of more than 40%. The Christophe Robin salon will remain independent and is not included in this acquisition.



### Natura Agrees to Acquire Avon

Natura Cosméticos (BOVESPA:NATU3), multinational beauty and personal care company and leader in direct sales, reached an agreement to acquire direct selling beauty competitor Avon Products (NYSE:AVP) in a share swap, with a total transaction value of \$3.7 billion. The acquisition will form the sixth largest beauty company in the world with expected revenue of more than \$10 billion, behind only L'Oréal, Estée Lauder, Shiseido, Unilever and Procter & Gamble. The combined entity will boast 6 million direct sellers, 3,200 stores in over 100 countries, and over 40,000 employees. The deal marks a return to acquisitions in the direct sales channel for Natura who acquired retail store focused Aesop in 2013 and The Body Shop in 2017. Following the close of the deal, Natura will own 76% of the combined business and estimates the combination could generate \$150 million to \$250 million of annual cost savings. Avon generates \$3.5 billion of revenue with EBITDA of \$448 million, implying a revenue multiple of 1.1x and an EBITDA multiple of over 8x. Avon previously sold its North American operations to Cerberus Capital in 2015. The transaction is expected to close in Q1'20.



### LG Agrees to Acquire Avon North America

LG Household & Health Care (KOSDAQ:051900) entered into a definitive agreement to acquire Avon North America for \$125 million in cash. Avon North America is a direct seller of skin care, color cosmetics, fragrance, personal care, and health and wellness products with a network of 250,000 sales representatives across the United States, Puerto Rico and Canada. The deal supports LG Household & Health Care's plans to further expand outside of its home country of Korea and extends its reach in North America. Cerberus Capital previously purchased an 80.1% interest in Avon North America in exchange for a \$170 million equity investment as part of a broader strategic partnership with Avon in 2016. The acquisition is expected to close in September 2019.





## Recently Closed Transactions (cont.)

### SC Johnson Expands Personal Care Portfolio With Acquisition of Sun Bum

SC Johnson announced plans to acquire Sun Bum, a leading sun protection brand and portfolio company of VMG Partners. The transaction was announced approximately three years following SC Johnson's acquisition of former VMG portfolio company Babyganics, a natural-focused, children's personal care brand. Founded in 2010, Sun Bum sells branded sun care, tanning, hair care, and lip care products under the Sun Bum brand and a line of children's sun protection and baby care products under the Baby Bum brand. The company sells through mass, drug, food and specialty retailers, including Target, Walmart, Walgreens and Ulta, as well as eCommerce channels. Although the terms of this deal were not disclosed, the Wall Street Journal had previously projected the company could be valued at more than \$400 million. According to industry sources, Sun Bum generates an estimated \$70 million in annual sales, implying a revenue multiple in excess of 5x. While SC Johnson is best-known for category-leading household consumer brands such as Windex, Glade, and Pledge, the company has now established a portfolio of higher growth, lifestyle brands including Babyganics, Method, Mrs. Meyer's Clean Day, Caldrea, and now Sun Bum.



### Beiersdorf to Acquire Coppertone from Bayer for \$550 Million

Beiersdorf (XTRA:BEI) announced the acquisition of leading sun care brand Coppertone from Bayer for \$550 million. Founded in 1944, Coppertone was the first sun care brand launched in the U.S. With the acquisition, Beiersdorf expands its presence in the U.S. and strengthens its global position in sun care (Beiersdorf's Nivea Sun is a leading sun care brand in Europe). Coppertone joins NIVEA, Eucerin, Aquaphor, and La Prairie as the fifth brand in the Beiersdorf's skin care portfolio. Coppertone generated sales of \$213 million in 2018, implying an acquisition revenue multiple of 2.6x. The transaction enables Bayer to focus on its core over-the-counter consumer health brands. The acquisition is expected to close in Q3'19.



### Canopy Growth Acquires This Works from Tengram

This Works has been acquired by leading cannabis company, Canopy Growth Corp. (TSX:WEED) for approximately £43 million or \$55 million. Founded in 2004, This Works offers a range of high-quality natural skin care and sleep solution products. Canopy Growth has been active on the M&A front with approximately 30 acquisitions since a \$4 billion investment from Constellation Brands in 2018. The transaction provides Canopy Growth entry into the natural wellness industry and further strengthens its international presence. For This Works, the deal will enable faster global expansion and accelerated product development, which will include a new line of CBD infused skin care and sleep solution products. Tengram Capital Partners invested in This Works in 2015. According to industry sources, This Works generates revenue between £10 million and £15 million, implying an acquisition revenue multiple of approximately 3x to 4x. This Works CEO, Dr. Anna Persaud, will continue to run the company post-acquisition.



### Lion Capital Invests in Hatchbeauty

Hatchbeauty, the Los Angeles-based beauty incubator, announced that Lion Capital will be investing in the company in partnership with Co-Founder and CEO, Tracy Holland. Founded in 2009, Hatchbeauty works with brands and retailers on developing co-owned beauty and wellness brands across the prestige, specialty, food, drug, mass, and eCommerce channels. Brands the company has helped incubate include Found Beauty, Nuance by Salma Hayek, Jenna Hipp nail polish, Kristofer Buckle's makeup line, and Orlando Pita Play, among others. In conjunction with Lion Capital, the company plans to make investments in digital, marketing, infrastructure and technology, including expansion of its senior leadership team. As part of the transaction, Hatchbeauty Co-Founder, Ben Bennett, sold his stake in Hatchbeauty.



### Prelude Growth Partners Takes Minority Stake in Westman Atelier

Westman Atelier, a luxury, clean cosmetics brand, received a minority investment from Prelude Growth Partners. Westman Atelier was founded in 2018 by makeup artist Gucci Westman and her husband, David Neville, the Co-Founder of Rag & Bone. The company sells foundation, blush, bronzer, contour, and highlighter products online and through select prestige retailers including Barneys New York, Violet Grey, and Mecca. Prelude Growth Partners was founded in 2018 by Alicia Sontag, formerly the global president of beauty at Johnson and Johnson, and Neda Daneshzadeh, a former partner at L Catterton.



### CITIC Capital Partners Acquires UCO Cosmetics

CITIC Capital Partners, the private equity arm of Chinese conglomerate CITIC Group, has acquired Hangzhou UCO Cosmetics (UCO), a leading eCommerce service provider for beauty and cosmetics brands, from Qingdao Kingking Applied Chemistry. UCO was founded by former Alibaba executive Arthur Chang in 2012. UCO provides omnichannel retail solutions, retail operation management, and social media marketing to more than 40 brands, including Estée Lauder, MAC, Clinique, Kosé Group, L'Occitane and Clarins. UCO joins CITIC Capital Partners' current portfolio of beauty investments including Trilogy International, Axilone, Erno Lazlo, and KanS. According to industry sources, the purchase price for UCO was approximately \$209 million.



## Industry News

### Douglas Enters At-Home Beauty Services Sector With Investment in Welmoa

Douglas, the leading premium beauty retailer in Europe, entered the on-demand beauty services category with an investment in Welmoa. Founded in 2016 and based in Munich, Germany, Welmoa offers on-demand mobile beauty and wellness services including makeup, massage, nail care, hair styling, and hair removal, through an online booking system across six German cities. The investment will support geographical expansion and increase brand awareness for Welmoa. For Douglas, which currently operates 2,400 stores across Europe, the deal expands the retailer's presence in the at-home beauty services sector. In addition to Douglas' initial financial investment, the German perfumery chain will serve as a media-for-equity investor and a consultant to Welmoa on brand strategy.

DOUGLAS

welmoa

### Beauty Giant Coty to Restructure Operations

Multinational beauty giant Coty announced that it will restructure operations and write down \$3 billion in assets related to brands acquired from Procter & Gamble. The restructuring will reduce headcount and product offerings, streamline internal functions and reorganize the operation into regional units under new leadership. Coty acquired more than 40 brands from Procter & Gamble for \$12 billion in 2016, including notable brands Wella, Sebastian, Clairol, Max Factor, and Covergirl. Coty revealed its plans for a four-year restructuring process in the hopes of becoming more competitive in an industry sector where independent beauty brands are increasingly taking market share. Shares of Coty have fallen over 30% since the announcement back on July 1, 2019.

COTY

### Nestlé in Talks to Sell the Nestlé Skin Health Division

Nestlé entered into exclusive negotiations to sell its skin health division, Nestlé Skin Health, to a consortium led by EQT and a subsidiary of the Abu Dhabi Investment Authority, for approximately \$10.5 billion. Headquartered in Lausanne, Switzerland, Nestlé Skin Health provides science-based skin care solutions to consumers, patients and healthcare professionals across prescription, aesthetics and consumer care with leading brands including Epiduo, Soolantra, Restylane, Azzalure, Cetaphil, and Proactive. The skin health division generated \$2.9 billion of reported revenue in 2018 representing an acquisition revenue multiple of 3.6x. The divestiture is part of a large-scale effort by Nestlé to shed underperforming units and focus on its food business. The transaction is scheduled to close by the end of the year.

Nestlé

ADIA

### Natura to Invest in Emerging Brands Through Venture Capital Funds

Natura Cosméticos (BOVESPA:NATU3) plans to invest up to \$5 million to acquire minority stakes in innovative, high-growth beauty and wellness companies through select venture capital funds. Founded in 1969, Natura is a Brazilian multinational beauty and personal care company and leader in direct sales. Natura previously acquired Aesop in 2013 and The Body Shop in 2017, and recently agreed to acquire Avon Products. In May 2019, Natura launched its venture capital investment strategy with Dynamo Beauty Ventures, which will work to identify and invest in emerging brands operating in the beauty and wellness segments primarily in Europe and the U.S. Natura's Chairman, Roberto Marques, introduced Dynamo Beauty Ventures as a prototype for similar ventures in the future.

natura

### Founding Family Takes Direct Seller Oriflame Private

Oriflame Holding AG, a Swedish direct-selling cosmetics company, was taken private by the founding family. The Jochnick family had retained a 30.8% stake of the public company and made an offer to acquire the remaining 69.2% stake in May 2019. The proposal valued company shares at a 35% premium, and Oriflame's independent bid committee recommended the deal's ratification to shareholders. The Jochnick family completed the acquisition in late June 2019 for \$1.3 billion, and July 17th marked the last day trading on the stock exchange. The founding family plans to strategically reposition Oriflame in select geographies under private ownership.







ORIFLAME  
SWEDEN

### Venture Capital Activity Remains Strong in the Beauty Care Sector

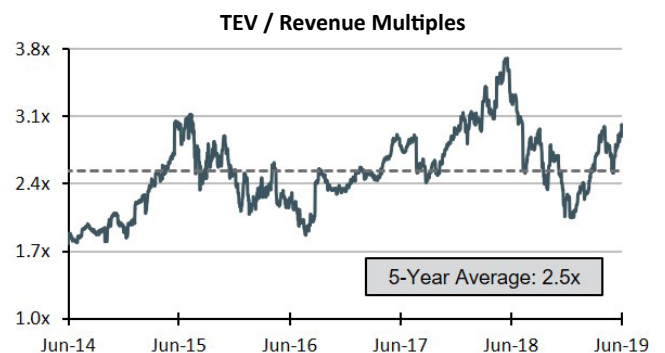
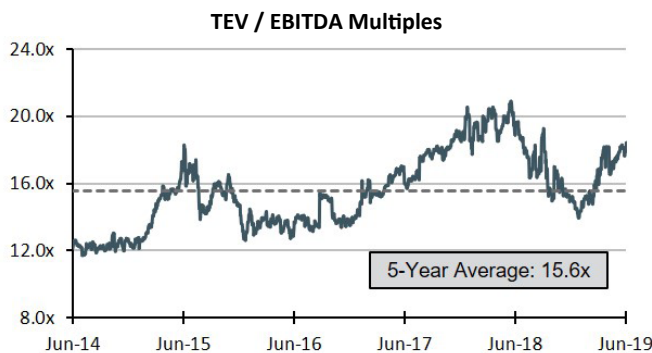
Venture capital remains active in the beauty and personal care sector. Nutrafol, a nutraceutical anti-hair-loss company, closed a \$35 million Series B funding round led by the Growth Fund of L Catterton with participation from existing investor, Unilever Ventures. Hum Nutrition, a beauty ingestible company, secured \$15 million in Series B funding led by Sonoma Brands. BioClarity, a plant-based direct-to-consumer skin care brand owned by Adigica Health, completed a \$13 million financing round led by a \$6 million investment from Prolog Ventures. Prestige fragrance brand, Phlur, completed a \$7 million Series A funding round led by Symrise, in conjunction with its acquisition of beauty manufacturer, Texas Beauty Labs. Cora, a subscription-based feminine products company, completed a \$6 million Series A round led by Harbinger Ventures. Professional booking application, Beautystack, raised \$4.5 million in seed financing led by Index Ventures. Australian-based clean skin care brand, Dr Roebuck's, received a growth capital investment led by Unilever Ventures. Self-care and wellness brand, Asutra, received a notable investment from tennis star Venus Williams, who will serve as Chief Brand Officer. Finally, Milk + Honey, an organic spa and beauty brand, secured an undisclosed amount of funding led by Emil Capital Partners and Keller Capital.

Nutrafol HUM  
BIOCLARITY  
PHLUR  
CORA  
beautystack  
Dr Roebuck's  
Asutra\*  
milk + honey

## Publicly Traded Companies (USD Millions)

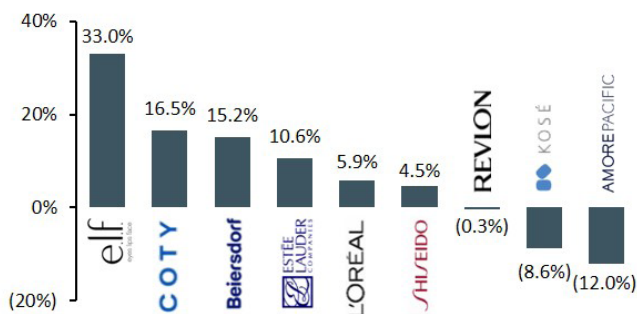
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year	Revenue	EBITDA
AMOREPACIFIC	\$6,020	\$4,114	\$5,030	73.1%	13.2%	1.3%	(1.2%)	1.2x	9.1x
 BDF Beiersdorf	\$24,502	\$26,592	\$8,034	57.5%	17.1%	1.1%	2.9%	3.0x	17.9x
 COTY	\$17,831	\$10,069	\$8,833	61.8%	14.8%	(6.0%)	26.6%	2.0x	13.7x
 elf	\$817	\$702	\$268	60.9%	22.7%	(3.9%)	7.9%	3.1x	13.4x
 ESTÉE LAUDER COMPANIES	\$66,788	\$66,262	\$14,568	77.9%	21.4%	6.5%	9.0%	4.6x	21.4x
 KOSÉ	\$8,945	\$9,664	\$3,134	73.2%	17.4%	6.7%	10.3%	2.9x	16.4x
L'ORÉAL	\$152,957	\$156,032	\$31,499	72.8%	22.0%	9.1%	4.4%	4.9x	22.1x
REVLON	\$4,168	\$998	\$2,557	56.5%	5.2%	(2.4%)	10.0%	1.6x	nm
 SHISEIDO	\$30,838	\$30,408	\$10,356	78.9%	13.0%	3.7%	3.9%	3.0x	22.8x
Mean			68.1%	16.3%	1.8%	8.2%	2.9x	17.1x	
Median			72.8%	17.1%	1.3%	7.9%	3.0x	17.1x	

## Historical Public Company Trading Multiples



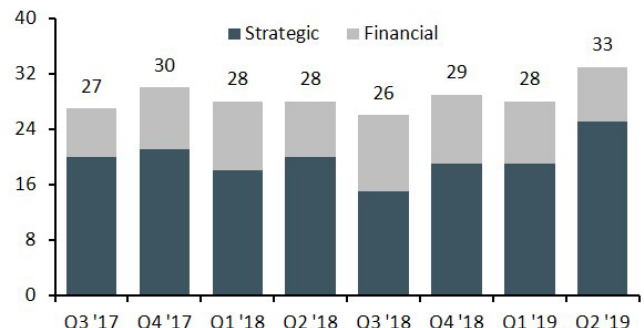
## Global Beauty Care Stock Price Performance

### Past Three-Month Stock Price Performance



## Global Beauty Care M&A Transactions

### # of Announced Beauty Care Transactions by Quarter





## Select Transactions

<p>JD Beauty Group</p>  <p>BIO:IONIC  Ouidad</p> <p>a portfolio company of</p> <p><i>tOpspin</i></p> <p>has been acquired by</p> <p>ACON</p> <p>and merged with</p> <p>portfolio company</p> <p><i>Goody</i></p> <p>Advisor to JD Beauty Group</p>	<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> 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> 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> 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>DAVE XLABS 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 DAVE XLABS</p>	<p>CHATTERS 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>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>owner of</p> <p> Web brush</p> <p>has obtained a majority investment from</p> <p><i>tOpspin</i></p> <p>Advisor to JD Beauty Group</p>	<p><b>LORAC</b></p> <p>has received an investment from</p> <p> encorex 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 &amp; 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

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### About Intrepid's Beauty & Personal Care Practice

Intrepid provides dedicated merger and acquisition advisory and capital raising services to the **Beauty & Personal Care** industry. By focusing exclusively on beauty care companies, our industry bankers have a deep understanding of trends and value-drivers across the sector and maintain ongoing dialogue with the acquirer and investor universe. Our Beauty & Personal Care practice has a proven track record of helping clients sell to global strategic acquirers and value-added private equity groups across the beauty and personal care landscape.

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