



Beauty Care M&A Report - Q3'19

No Stopping Beauty Care M&A as Markets Keep Pace in Q3'19 for Another Record Year

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No Stopping Beauty Care M&A as Markets Keep Pace in Q3'19 for Another Record Year

The Beauty Care M&A market posted 28 transactions in Q3'19. While M&A transaction volume was down versus a record 33 transactions in Q2'19, deal volume increased more than 8% over Q3'18. The quarter brought year-to-date volume to 89 transactions, an increase of 9% over the same period last year.

Q3'19 witnessed two transactions with enterprise values of over \$1 billion – following two billion-dollar deals in the previous quarter. Strategic acquirers also remained active with acquisitions by Colgate-Palmolive, Henkel and S.C. Johnson along with the entry of Cronos Group into the CBD skin care sector. The quarter saw strategics on the sell-side with the sale of the Salon Liquids Division of Conair and sale of the Yunique brand by Coty.

The third quarter brought heightened activity from private equity groups both on the sell-side and buy-side following a slow financial sponsor quarter in Q2'19. The quarter witnessed multiple private equity to private equity deals including Topspin's acquisition of Japonesque from San Francisco Equity Partners, General Atlantic's acquisition of Morphe from Summit Partners, and Castle Harlan and Branford Castle's acquisition of Sunless from The Riverside Company – alongside investments from Prelude Growth Partners, VMG and Transom Capital.

Given deal rumors, market momentum and a peek into fourth-quarter deal activity, 2019 is set up to be another record year in beauty care M&A deal volume.

Q3'19 Beauty Care M&A highlights include:

- Deal volume was up 8% versus Q3'18 but down 15% versus record deal volume in Q2'19.
- Strategic acquirers remained active with deals announced by Colgate, Henkel, S.C. Johnson and Cronos Group.
- Strategic acquirers were sellers in the quarter with announced divestments from Conair and Coty.
- Private equity groups were both sellers and buyers with notable investments by Topspin Partners, General Atlantic, VMG and Prelude Growth Partners and exits from San Francisco Equity Partners, Summit Partners and The Riverside Company.



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Recently Closed Transactions

Colgate Acquires Laboratoires Filorga Cosmétiques for \$1.69 Billion

Colgate-Palmolive announced plans to acquire Laboratoires Filorga Cosmétiques for \$1.69 billion. Founded in France in 1978, Filorga is a premium anti-aging skin care brand sold in over 60 countries across the pharmacy, eCommerce, specialty and travel retail channels. According to a report in April by French media outlet Les Echos, Filorga generated sales of \$200 million and EBITDA of \$55 million in 2018 and expected to achieve \$275 million in revenue for 2019, implying a revenue multiple of over 6x and an EBITDA multiple of over 20x assuming similar margins in 2019. Colgate has been actively targeting the high margin skin care sector in recent years, having previously acquired PCA Skin and EltaMD in 2017.



General Atlantic Acquires Majority Stake in Morphe for \$2 Billion-Plus Valuation

General Atlantic acquired a 60% interest in Morphe Cosmetics, a digitally-native, omnichannel cosmetics brand, at a reported valuation of \$2.2 billion. Established in 2008, Morphe sells professional makeup brushes, eyeshadow palettes, lip colors and fragrances online through both its company website and Amazon, as well as through prestige and specialty retailers including Ulta and Sephora Canada. Under General Atlantic ownership, the company plans to continue to drive geographic expansion, product development initiatives and collaborations with the beauty influencer community. Also, the company plans to leverage its operational capabilities to acquire, invest in and scale other digitally native, social beauty brands. According to industry sources, Morphe expects to generate \$500 million in net sales and \$130 million of EBITDA in 2019, implying a revenue multiple of over 4x and an EBITDA multiple of approximately 17x. Summit Partners which invested in Morphe in 2017 remains a shareholder in the business.



Cronos Group Acquires Lord Jones for \$300 Million

Cronos Group (NASDAQ: CRON), the first publicly-listed cannabinoid company in the U.S., acquired four operating subsidiaries of Redwood Holding Group, including high-end CBD brand Lord Jones, for \$300 million. Founded in 2015, Lord Jones manufactures and markets a variety of CBD-infused skin care and edible products, including lotions, lip balms, gumdrops and tinctures. The company distributes its products through its own website as well as through Sephora, SoulCycle and select additional retailers. The \$300 million purchase price consists of \$225 million in cash and \$75 million of Cronos Group common stock. According to industry sources, Lord Jones generated revenue of less than \$40 million implying a revenue multiple of over 7x. Cronos sold a minority stake to Altria Group for approximately \$1.8 billion earlier this year. The transaction marks Cronos Group's first U.S. deal and highlights continued activity in the CBD sector following previous investments in This Works and High Beauty by Canopy Growth.



VMG Makes Minority Investment in Briogeo

Prestige hair care brand Briogeo received a minority investment from VMG Partners. Founded in 2013, Briogeo offers high-performance, natural hair care and treatment products sold at Sephora, Nordstrom, Net-a-Porter and through its own Website. The brand is a category innovator within the hair care sector, launching products that treat the hair and scalp more like skin with super food, wellness and better-for-you multipurpose ingredients. The investment will support efforts to drive brand awareness and further expand Briogeo's clean product portfolio beyond the hair care category following its recent launch of the B. Well line for healthier hair, brows and lashes. According to industry sources, the company expects to generate retail sales between \$60 million and \$65 million in 2019.



Topspin Acquires Japonesque From San Francisco Equity Partners

Topspin Partners acquired a majority stake in Japonesque from San Francisco Equity Partners. Founded in 1984, Japonesque is a developer and marketer of innovative beauty implements, makeup brushes and other beauty accessories. The company sells products under its rapidly growing Japonesque brand and as a value-added partner under select store-branded offerings across the drug, mass, specialty and eCommerce channels. Topspin partnered with the existing management team who will continue to lead Japonesque going forward. The Japonesque transaction closely follows Topspin's highly successful exit of the JD Beauty platform earlier in 2019 (Intrepid advised Topspin on the sale of JD Beauty to ACON Investments and Goody Products).



Henkel Continues to Build Its Hair Care Portfolio With Majority Stake in eSalon

Henkel (XTRA:HEN3) acquired a 51% stake in Los-Angeles based eSalon, an online provider of customized at-home hair color solutions. The eSalon digital platform allows customers to create individualized profiles and complete questionnaires detailing their hair type, history and desired color. Since its inception in 2010, eSalon has produced over 190,000 unique pigment combinations and shipped over 7 million orders of personalized hair color and care products. The acquisition bolsters Henkel's digital capabilities and further expands its leading hair color portfolio. The founders and existing management team will continue to run the eSalon business.



Recently Closed Transactions (cont.)

Chatters Acquires Enviro Trends to Further Solidify its National Platform

ONCAP-backed Chatters Canada acquired Ontario-based hair salon chain, Enviro Trends. Founded in 1988, Chatters Canada is the largest retailer of professional hair care products in Canada and one of the largest hair salon operators in the country. The acquisition further expands the Chatters platform into Eastern Canada and brings the Chatter's store count to 116 locations across seven provinces. This acquisition follows ONCAP's investment in Chatters in 2015. **Intrepid previously advised Chatters on its sale to ONCAP.**



CHATTERS
HAIR | BEAUTY | SALON

Transom Capital Acquires Salon Liquids Division From Conair Corporation

Transom Capital Group acquired the professional liquids division of Conair Corporation, including the RUSK, One 'n Only and Aquate brands. The company, which will be renamed Beauty Quest Group, manufactures and sells branded and private label premium hair care, color and styling products to the professional and specialty retail channels. The group also provides contract manufacturing services to third-party hair care brands. The acquisition further expands Transom's presence in salon products and services following the private equity firm's purchase of salon and spa chain, Gene Juarez Salons & Spas, in October 2018.



Prelude Growth Partners Makes Minority Investment in Summer Fridays

Prelude Growth Partners made a minority investment in fast growing, influencer-driven prestige skin care brand, Summer Fridays. Founded by influencers Marianna Hewitt and Lauren Gores Ireland in 2018, Summer Fridays offers a limited SKU base consisting of four hydrating face masks formulated with clean ingredients as well as a recently introduced Vitamin C serum to combat hyperpigmentation. The brand sells through Sephora, Cult Beauty, Selfridges, and Mecca as well as through the company website. The investment will support key new hires and infrastructure as well as fund product development and marketing efforts. According to industry sources, Summer Fridays expects to reach \$20 million in retail sales in 2019. Summer Fridays marks Prelude Growth Partners' fourth investment in the beauty and wellness sectors, following Westman Atelier, Sol de Janeiro and 8 Greens.

SUMMER FRIDAYS

PRELUDE
GROWTH PARTNERS

S.C. Johnson Continues to Expand Personal Care Portfolio With Acquisition of Oars + Alps

Oars + Alps, a men's skin care brand based in Chicago, was acquired by S.C. Johnson for an estimated \$20 million. Founded in 2016, Oars + Alps sells a comprehensive line of premium, natural and toxin-free skin and personal care products for men, including deodorant, lip balm, eye cream, face moisturizer, charcoal face wash and body wash. The company has strong online distribution through both its direct-to-consumer platform and Amazon and recently gained brick and mortar distribution in 500 Target stores. The acquisition falls on the heels of S.C. Johnson's most recent acquisition of leading sun protection brand, Sun Bum, in June 2019.



scJohnson
A family company
at work for a better world

Coty Sells Controlling Stake in Younique Back to Founders

Coty (NYSE: COTY) announced plans to sell its majority stake in the social media-driven, direct sales cosmetics company, Younique, back to the company's founders. Coty acquired 60% of Younique for \$600 million in 2017. Founded in 2012, Younique utilizes a peer-to-peer social sales model selling beauty care products through 200,000 independent 'presenters.' Coty cited the different nature of the Younique business model as the primary reason for the split. The divestiture comes as Coty restructures its operations following a \$3 billion asset write-down related to more than 40 brands it acquired from Procter & Gamble in 2016.



younique

Castle Harlan and Branford Castle Acquire Sunless From The Riverside Company

Sunless, Inc., a leading manufacturer and seller of spray tanning equipment and sunless tanning solutions, has been acquired by private equity firms Castle Harlan and Branford Castle Partners from The Riverside Company. Based in Ohio, Sunless is a market leader of commercial spray tanning booths that are installed in fitness clubs, tanning salons and other outlets and are responsible for more than 12 million tans annually. In addition, Sunless leads the market in hand-held spray tanning equipment used by professional airbrush artists. Brands under the Sunless umbrella include Mystic Tan, Norvell and Versa Spa.

sunlessinc



BRANFORD CASTLE PARTNERS



CASTLE HARLAN

Industry News

Influenster Releases Its Reviewers' Choice Awards for Best in Beauty in 2019

Influenster released its fifth annual Reviewers' Choice Awards for Best in Beauty. Influenster analyzed close to 7 million reviews of FDM, prestige and indie beauty brands over the last 12 months to determine the brands driving growth across the beauty care sector. Influenster selected 206 winners based on review volume, annual growth and high-star ratings. Congratulations to the indie brands that continue to drive growth and innovation in the beauty care category including Glossier, OUAL, ColourPOP, Amika, Milk Makeup, Kopari, Morphe, Korres, Not Your Mothers, Briogeo, Sol de Janeiro and Youth to the People, among others.



Leading eCommerce Platform Hut Group Announces Brick & Mortar Expansion Plans

The Hut Group, a global eCommerce leader in health, beauty, fitness and lifestyle, announced plans to open an experiential marketing and retail location in Manchester to drive increased customer engagement and showcase its brands in a brick and mortar setting. The Hut Group has been one of the most active acquirers of beauty brands and online retailers over the last five years while simultaneously investing heavily in its technology and eCommerce infrastructure. In related news, The Hut Group recently raised £1 billion of debt capital to continue to invest in and accelerate the growth of its current brands and to fund its aggressive acquisition and expansion plans.



Revlon Exploring Strategic Alternatives

Revlon (NYSE: REV) retained advisors to explore the potential sale of the company or the divestment of select brands. Key brands in the Revlon portfolio include Revlon, Elizabeth Arden, Almay, Mitchum, American Crew and Cutex, among others. Revlon cited a slowdown in the U.S. mass cosmetics market, weak international sales and drugstore consolidation for its financial troubles and loss in profitability. Industry sources also cited looming debt maturities as a likely reason for Revlon to consider a potential transaction. The company, which is headquartered in New York and majority owned by Ronald Perelman's MacAndrews & Forbes, has more than \$3 billion of debt including another \$200 million term loan secured earlier this year. Since news of the potential sale broke in August, Revlon shares are up over 40%.



Birchbox Plans Small Format 'Expressions' in 500 Walgreens Stores

Digital beauty subscription company Birchbox announced plans to launch small 'expressions' in 500 Walgreens stores this November. The Birchbox 'expressions' format will offer select prestige, professional and digitally native brands not typically found in the mass market. Walgreens acquired a minority stake in Birchbox in October 2018, forming a strategic partnership between the companies. Founded in 2010 as a personalized monthly subscription of beauty care products, Birchbox recently started experimenting with pop-up and store-in-store concepts to expand its target consumer base outside of its dedicated beauty enthusiasts. Birchbox is one of several digitally-native brands that have shifted to include a brick and mortar retail concept in order to establish an omni-channel presence.










Venture Capital Activity Remains High in the Beauty Care Sector

Beauty and personal care continues to attract strong venture capital interest. Kopari, a coconut oil-based skin and personal care brand, raised \$20 million of development capital from Mistral Equity Partners, Unilever Ventures, University Growth Fund and follow-on investor L Catterton. Herbivore Botanicals, a prestige clean skin care brand, secured its first outside investment, a \$15 million Series A round, led by Silas Capital with participation from Stage 1 Fund. Love Wellness, a feminine self-care company, completed a \$4 million Series A round led by PDC Brands. Specialty hair towel and liquids company, AQUIS, completed a \$5 million Series B round with Springboard Growth Capital. In advance of launching clean cosmetics brand Saje in November, beauty blogger Laney Crowell received funding from a group of investors including Unilever Ventures, TOMS Shoes founder Blake Mycoskie and LearnVest founder Alexa von Tobel. Social Bella, operator of online beauty platform Sociolla, closed a \$40 million Series D funding round co-led by EV Growth and Temasek.

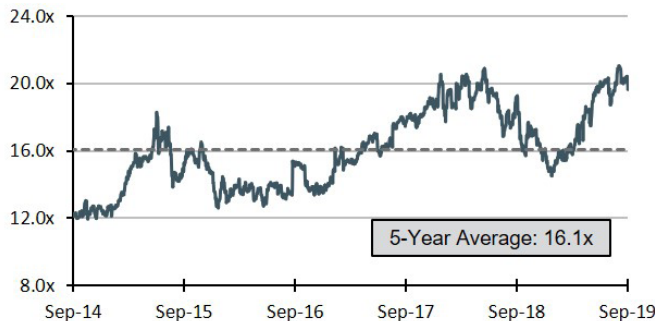


Publicly Traded Companies (USD Millions)

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	\$6,626	\$4,470	\$5,330	73.2%	12.9%	2.6%	(2.1%)	1.2x	9.7x
 Beiersdorf	\$25,258	\$27,424	\$8,333	57.7%	16.6%	3.6%	3.6%	3.0x	18.3x
 COTY	\$15,751	\$7,927	\$8,560	62.2%	15.7%	(6.9%)	25.6%	1.8x	11.7x
 elf	\$976	\$873	\$269	62.0%	14.4%	(0.5%)	7.2%	3.6x	25.1x
 ESTÉE LAUDER	\$72,293	\$71,846	\$15,234	77.4%	21.5%	9.3%	10.5%	4.7x	22.0x
 KOSÉ	\$8,833	\$9,509	\$3,131	73.1%	17.3%	7.2%	10.5%	2.8x	16.3x
L'ORÉAL	\$160,708	\$160,924	\$31,689	72.8%	22.0%	7.1%	5.8%	5.1x	23.1x
 M A V	\$226	\$114	\$107	48.9%	23.4%	38.3%	nm	2.1x	9.1x
REVLON	\$4,434	\$1,246	\$2,462	57.1%	6.4%	(5.7%)	6.2%	1.8x	nm
 SHISEIDO	\$31,962	\$31,481	\$10,374	78.9%	13.6%	5.2%	4.9%	3.1x	22.7x
Mean			66.3%	16.4%	6.0%	8.0%	2.9x	17.6x	
Median			67.5%	16.2%	4.4%	6.2%	2.9x	18.3x	

Historical Public Company Trading Multiples

TEV / EBITDA Multiples

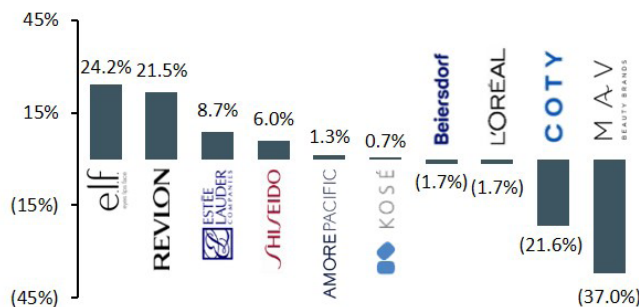


TEV / Revenue Multiples



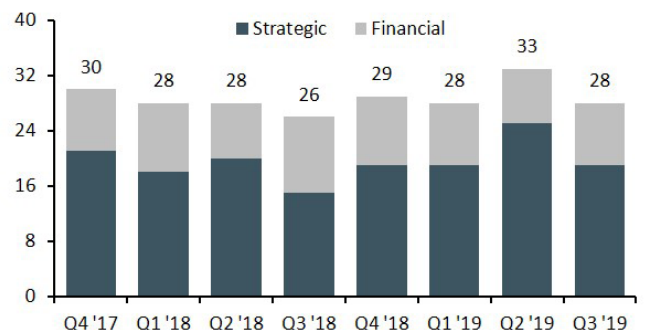
Global Beauty Care Stock Price Performance

Past Three-Month Stock Price Performance



Global Beauty Care M&A Transactions

of Announced Beauty Care Transactions by Quarter



Select Transactions

<p>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>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> 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>ONCAP</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>LORAC</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 & 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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