

*Beauty Care M&A Report - Q4'19*

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The Beauty Care M&A market witnessed 30 transactions in Q4'19, an increase of 7% over Q3'19 and 3% over Q4'18. Moreover, the Beauty Care M&A market finished the year with 119 transactions, an increase of 7% over 2018 and marked another record year in deal volume.

Q4'19 also brought a flurry of strategic acquirer-led transactions in one of the most active strategic buyer quarters in recent memory. The quarter noted deals from virtually all the major strategic acquirers, including Shiseido, Coty, Henkel, Estée Lauder, S.C. Johnson, Helen of Troy, L'Oréal, Unilever, and MAV Brands. While strategic acquirers dominated the quarter, private equity (PE) groups continued to carve out their share of beauty care deal volume with investments announced by Advent International, Main Post Partners, and Cult Capital.

### *Q4'19 Beauty Care M&A highlights include:*

- Deal volume was up 7% versus Q3'19 and 3% over Q4'18.
- Strategic acquirers dominated the quarter with deals announced by Shiseido, Coty, Henkel, Estée Lauder, S.C. Johnson, Helen of Troy, L'Oréal, Unilever, and MAV Brands.
- PE groups were again both buyers and sellers with notable investments by Advent (Olaplex), Main Post (Sugared + Bronzed) and Cult Capital (Lawless Beauty) and exits by Ares (DevaCurl) and VMG (Drunk Elephant).
- Large beauty care transactions continued to make headlines with multiple deals over \$800 million in enterprise value, including Shiseido's acquisition of Drunk Elephant, Coty's acquisition of Kylie Cosmetics, Estée Lauder's acquisition of Dr. Jart+, and Advent's acquisition of Olaplex.




**Steve Davis**

Managing Director  
sdavis@intrepidib.com



**Mike Garcia**

Managing Director  
mgarcia@intrepidib.com



**Lauren Antion**

Vice President  
lantion@intrepidib.com

## Recently Closed Transactions

### Shiseido Acquires Drunk Elephant for \$845 Million

Shiseido Americas acquired Drunk Elephant, one of the fastest-growing prestige skin care brands, for \$845 million. Founded in 2013 by Tiffany Masterson, Drunk Elephant offers a portfolio of solutions-focused prestige skin care products based on safe, natural, and non-toxic formulations. The company's products are distributed through its own eCommerce Website and prestige retailers such as Sephora. According to industry sources, Drunk Elephant is expected to generate over \$125 million of revenue in 2019 with an EBITDA margin in excess of 20%, implying a revenue multiple of over 6.5x and an EBITDA multiple of more than 20x. The acquisition by Shiseido supports its recent focus on expanding its prestige beauty business outside of Japan and is the largest acquisition by Shiseido since the company acquired Bare Escentuals for \$1.7 billion in 2010. Drunk Elephant previously received a minority equity investment from VMG Partners in 2017.



SHISEIDO

### Coty Acquires Majority Stake in Kylie Cosmetics for \$600 Million

Coty, a global leader in fragrance, hair and color cosmetics, acquired a 51% stake in Kylie Jenner's cosmetics and skin care brand, Kylie Cosmetics, for \$600 million, valuing the company at \$1.2 billion. Founded in 2015 with the launch of the wildly popular Kylie Lip Kit, Kylie Cosmetics quickly expanded to include a comprehensive line of cosmetic products for the eyes, face and lips followed by the launch of Kylie Skin in 2019. The fast-growing influencer-driven company sells its products online through its own Website as well as at Ulta, its exclusive third-party retail partner. Industry sources report that Kylie Cosmetics generated \$177 million in net sales in the twelve months prior to Coty's acquisition, representing a revenue multiple of 6.8x. The acquisition will increase Coty's appeal amongst Millennial and Gen Z consumers. Kylie Jenner and her team will continue to lead the creative direction, and Kylie will remain the face of the brand, which will be renamed Kylie Beauty. The acquisition by Coty further demonstrates its continued shift in strategic priorities following the sale of Younique in Q3'19 and the contemplated sale of its Professional and Brazilian business units.

KYLIE  
COTY

### Henkel Further Expands Professional Hair Portfolio with Acquisition of DevaCurl

Henkel announced plans to acquire DevaCurl, a leading professional and prestige hair care brand dedicated to curly hair, from Ares Management. Founded in 1994, DevaCurl offers a complete line of sulfate, silicone and paraben-free cleansers, conditioners, styling products and treatments formulated specifically for wavy, curly and super curly hair. The company sells through professional salon distributors, prestige retail partners including Sephora and Ulta, company-owned Devachan salons, DevaCurl's Academy and online. Henkel has been one of the most active acquirers in the professional salon channel with acquisitions of eSalon, Zotos, Nattura Laboratorios, Sexy Hair, Alterna and Kenra over the last five years. Ares Management acquired DevaCurl in 2017 from Tengram Capital Partners and successfully grew revenues from \$65 million to an estimated \$100 million in 2019.



### Advent International Acquires Olaplex

Olaplex, a leading prestige and professional hair care brand and a category creator of bond-building hair products, has been acquired by private equity firm, Advent International. Founded in 2014 by beauty industry veterans Dean and Darcy Christal, Olaplex offers an innovative line of hair care products that repairs, strengthens, and prevents hair damage through its revolutionary bond multiplying technology. The company sells through professional salon distributors, prestige retail partners including Sephora, and online. Under Advent's ownership, Olaplex will focus on product development, brand awareness and channel expansion both in the U.S. and globally. According to industry sources, the transaction values Olaplex at \$1 billion on estimated revenue in excess of \$100 million, implying a revenue multiple of close to 10x.



### S.C. Johnson Expands Sun Care Portfolio with Acquisition of Coola

S.C. Johnson acquired a majority stake in Coola, a prestige, eco-conscious sun care brand, marking its second investment in the sun care category and third personal care acquisition in the past five months. Launched in 2007, Coola produces oxybenzone-free, better-for-you, organic and lightweight sun care products. The company distributes through online channels including Amazon and its company Website as well as through select prestige and specialty retailers including Sephora and Nordstrom. According to industry sources, Coola generated approximately \$30 million in revenue in 2019. Following the recent acquisition of Sun Bum in June 2019, the transaction further bolsters S.C. Johnson's position in the growing sun care category and highlights a continued focus on its growing portfolio of higher growth lifestyle brands.



### Main Post Partners Invests in Sugared + Bronzed

Main Post Partners invested in Sugared + Bronzed, a chain of salons that offer airbrush tanning and sugaring, a specialized form of hair removal, all in a luxury setting. Founded in 2010 by Courtney Claghorn and Sam Offit, Sugared + Bronzed currently operates ten locations across Los Angeles, Orange County, New York, and Philadelphia with plans to double its business over the next 18 months. The growth equity investment will support continued geographical expansion, new product launches and strategic marketing to drive increased brand awareness. Main Post Partners is an active investor in the beauty care sector with current investments in Not Your Mother's and Milk Makeup and prior investments in Too Faced Cosmetics and Hydrafacial.

SUGARED + BRONZED



## Recently Closed Transactions (cont.)

### Helen of Troy Acquires Drybar Products for \$255 Million

Helen of Troy announced the acquisition of the Drybar Products business for \$255 million. Launched in early 2013 as a complementary product extension to the leading multi-unit chain of blowout salons, the products business includes premium hair care appliances, liquids, and accessories. The products are currently available at Drybar salons across the U.S. and Canada as well as across several prestige and specialty retail partners including Sephora, Ulta, Nordstrom, and Macy's. According to industry sources, Drybar Products was on track to achieve revenue of approximately \$65 million with EBITDA of close to \$20 million in 2019, implying a revenue multiple of approximately 4x and an EBITDA multiple of approximately 13x. Drybar Products will join Helen of Troy as a leadership brand and complement its hair care division, which includes the Hot Tools, Wigo, Hot Spa, Salon Edition, Revlon, Gallery Series, and Helen of Troy brands. With the transaction, Helen of Troy will provide Drybar salons a worldwide license to use the trademark as well as to use, promote and sell the Drybar products. John Heffner, CEO of Drybar Holdings, will join Helen of Troy and continue to lead the business from its headquarters in Irvine, Calif. Drybar previously received a minority investment from Castanea Partners in 2012 and Roark Capital in 2016.



### Estée Lauder Acquires Remaining Stake in Dr. Jart+ and Do The Right Thing for \$1.1 Billion

Estée Lauder agreed to acquire the remaining 67% stake of Have & Be Co. Ltd., the South Korean company behind skin care brands Dr. Jart+ and Do The Right Thing, for \$1.1 billion, representing an implied enterprise value of \$1.7 billion. Estée Lauder previously invested in Have & Be Co. in 2015. Founded in 2005, Dr. Jart+ provides premium skin care products including moisturizers, masks, cleansers, and serums sold through specialty retail, travel retail, department stores, and online. Launched in 2012, Do The Right Thing is a men's grooming brand sold through multiple channels in Korea and the U.S. Dr. Jart+ is expected to generate approximately \$500 million in revenue in 2019, implying a revenue multiple of 3.4x. The transaction marks Estée Lauder's first acquisition of an Asian beauty brand and will bolster its consumer reach in the Asia-Pacific region, as well as strengthen its leadership position in the premium skin care category.



### Amorepacific Makes a Minority Investment in Milk Makeup

Amorepacific Group made a minority investment in Milk Makeup, the award-winning color cosmetics line from the co-founders of Milk Studios. Launched in early 2016, Milk Makeup offers vegan, paraben-free, cruelty-free formulations developed in-house at Milk Studios. The brand offers over 80 innovative products spanning the cosmetics and skin care categories and is sold through company-owned Website and select prestige retailers including Sephora and Cult Beauty. The investment will support the geographic expansion of the brand in Korea as well as other targeted international markets. According to industry sources, Milk Makeup will generate net sales of \$60 million in 2019. Amorepacific joins beauty focused private equity groups Main Post Partners and Alliance Consumer Growth as minority investors in Milk Makeup.



### Lawless Beauty Secures Growth Equity Investment from Cult Capital

Cult Capital, formerly known as JMK Consumer, made a significant minority investment in fast growing, influencer-driven prestige clean makeup brand, Lawless Beauty. Founded in 2017 by Annie Lawless, the company offers color cosmetics known for being clean and non-toxic yet also high-performance, long-lasting, and glam. The products are sold through the company's own Website and both in-store and online with Sephora. The investment will support upcoming product launches and new product development efforts, international expansion, an increased marketing budget, new hires and including the planned addition of a President. According to industry sources, Lawless Beauty expects to reach \$10 million in sales in 2020. Cult Capital has prior beauty experience with a current investment in Supergoop and a prior investment in Babo Botanicals.



### MAV Beauty Brands Acquires The Mane Choice

MAV Beauty Brands acquired The Mane Choice, a fast-growing brand serving the natural, textured hair care market, for \$38 million at close, consisting of \$29 million in cash and \$9 million in equity consideration, with the potential for an additional \$52.5 million in earnout payments based on 2020 and 2021 revenue milestones. Founded in 2013 by Courtney Adeleye, The Mane Choice is a science-based, solution-focused premium hair care brand consisting of shampoos, conditioners, treatments and supplements with a focus on the multi-cultural market. The company has successfully developed strong multi-channel distribution across the food, drug, mass and specialty retail channels as well as online in the U.S. and internationally. The acquisition allows The Mane Choice to leverage MAV Brands' global distribution network and operational infrastructure and strengthens MAV Brands' position in the U.S. hair care market. For the 12-month period ended Sept. 30, 2019, The Mane Choice generated net sales of \$24.4 million and EBITDA of \$6.4 million. The acquisition of The Mane Choice represents MAV Brands' third acquisition since going public on the Toronto Stock Exchange in 2018. Intrepid represented Marc Anthony Cosmetics, which served as the initial platform for MAV Brands, in its sale to TA Associates in 2016.



## Industry News

### High Level of Activity in Beauty Care Contract Manufacturing and Packaging Sectors

Beauty care contract manufacturing and packaging continue to attract strong interest as highlighted by several recent acquisitions over the past quarter. Knowlton Development Corporation (KDC/One), a product formulator and manufacturer for leading brands across the cosmetics, skin care, hair care, fragrance, personal care and household categories, merged with HCT Group, a cosmetics packaging, filling and logistics provider, to form a vertically integrated, comprehensive beauty care contract manufacturing and packaging solution. Further, KDC/One acquired Benchmark Cosmetic Laboratories, a custom formulation provider for established and emerging prestige beauty brands, to serve as its primary West Coast innovation facility. Cosmetic Solutions, a provider of turnkey outsourced services and formulations primarily for skin, body and hair care brands, was acquired by private equity firm, Lee Equity. Liquid Technologies, a leading personal care formulator and contract manufacturer, was acquired by PLZ Aerospace to provide customers with a broader range of personal care solutions. Aptar Group acquired a 49% stake in three China-based packaging companies including Suzhou Hsing Kwang, Suqian Hsing Kwang and Suzhou BTY, to provide Aptar access to the Asian markets as well as select technological capabilities and efficiencies. Strand Cosmetics Europe, a cosmetic formulator and contract manufacturer, merged with leading European contract packaging company, Marvinpac, forming MS BEAUTILAB, a full-service, eco-conscious beauty solution in the skin care and color cosmetics categories.



### High Ridge Brands Files Chapter 11 Bankruptcy

High Ridge Brands, a platform of mass-focused beauty and personal care brands, filed for Chapter 11 bankruptcy in December 2019, with plans for a sale in a court-supervised process. Initially formed by Brynwood Partners in 2010 as a platform to acquire, integrate and grow mass personal care brands, High Ridge Brands rapidly expanded with the acquisitions of Zest, Alberto VO5, Rave, White Rain, Coast and Salon Grafix. The platform was acquired by new private equity owner Clayton, Dubilier & Rice for approximately \$415 million in 2016 and subsequently acquired Dr. Fresh. According to court filings and other sources, the High Ridge Brands platform failed due to a significant loss of shelf space in Walmart as well as a material supplier issue. Industry sources report that a pre-bankruptcy marketing process failed in September, leading to missed debt payments in October. The company secured a \$20 million bankruptcy loan and entered into discussions with potential bidders. The company's U.K. business operations are not included in the bankruptcy filing.



### Coty Considers Sale of Professional Division

Coty is actively exploring strategic alternatives for its Professional Beauty business as well as the company's Brazilian operations. Coty's Professional Beauty division is the No. 2 salon hair care portfolio in the world and includes leading professional brands such as Wella, Clairol, ghd, OPI, Nioxin, Sassoon Professional, and Sebastian Professional. The potential divestment allows Coty to focus on its core fragrance, cosmetics and skin care businesses. The Professional Beauty division is forecasted to generate \$2.7 billion of revenue in 2019. According to industry reports, Coty expects to generate \$8 billion to \$9 billion for the sale of these brands, implying a revenue multiple of approximately 3x. Coty joins a recent list of large strategic acquirers divesting non-core assets, including Conair's sale of its professional liquids division, Shiseido's sale of Zotos, Newell Brands' sale of Goody Products, and Johnson & Johnson's sale of RoC Skincare, among others.



### Increasing Venture Activity and Incubator Investments by Strategic Acquirers

With increasing competition for fast-growing and differentiated beauty care assets, strategic acquirers continue to invest earlier in the brand lifecycle. Such early stage investment activity is increasingly taking place through strategic acquirer led brand incubator and accelerator funds. L'Occitane Group's start-up incubator, Obratori, acquired a minority stake in clean lipstick brand Le Rouge Français, marking its eighth investment since inception and third investment in 2019. Launched in 2018, Obratori seeks to make minority investments of less than 25% in cosmetic and wellness brands as well as digital retail solutions. Beiersdorf acquired a significant stake in South Korean skin care and technology brand Lycl through its Nivea Accelerator program. The investment further strengthens Beiersdorf's footprint in Asian markets as well as bolsters its ability to customize product offerings and generate user engagement through the data-driven platform. Through its corporate venture capital fund Business Opportunities for L'Oréal Development (BOLD), L'Oréal made a strategic minority investment in fast-growing Canadian dermocosmetics company, Functionalab Group. L'Oréal launched BOLD in December 2018 to acquire minority stakes in high growth, innovative beauty care start-ups.










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

Beauty care continues to attract venture capital interest as highlighted by several high-growth brands that received funding over the past quarter. Subscription-based oral care company, BURST, received a \$20 million investment led by Volition Capital. Natural beauty and wellness retailer, Onatera, raised £10 million from French venture capital firm Capital Croissance. Apostrophe, a direct-to-consumer online dermatology company, received \$6 million of Series A seed funding from SignalFire and FJ Labs. ZitSticka, a provider of zit treatment patches, received \$5 million of Series A seed funding led by BFG Partners. Ursa Major, a prestige clean skin care brand, received \$5 million in growth financing from Fenwick Brands, Finn Capital Partners and several family offices. Beekeeper's Naturals, a provider of honey bee-derived nutraceutical products, closed a \$3 million Series A funding round led by Sonoma Brands.

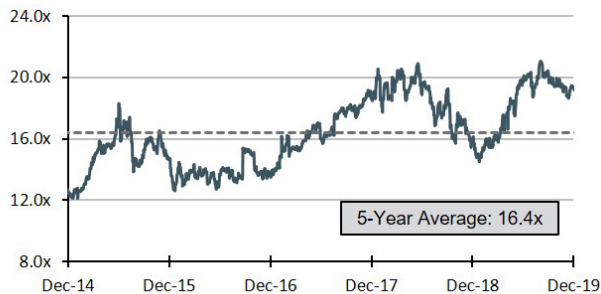


## Publicly Traded Companies (USD Millions)

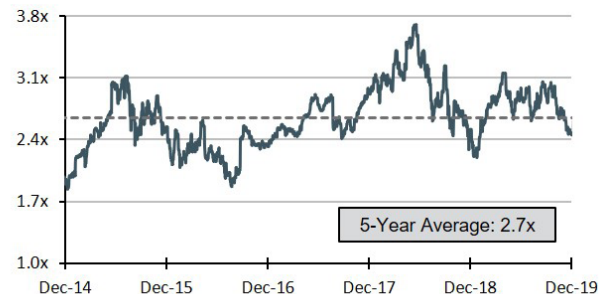
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year	Revenue	EBITDA
AMOREPACIFIC	\$7,737	\$5,631	\$5,342	73.2%	12.9%	1.7%	(2.6%)	1.4x	11.3x
 <b>Beiersdorf</b>	\$24,796	\$26,956	\$8,310	57.7%	16.6%	3.1%	3.4%	3.0x	18.0x
 <b>COTY</b>	\$16,475	\$8,526	\$8,560	62.2%	15.7%	(5.6%)	16.6%	1.9x	12.2x
 <b>elf</b>	\$900	\$806	\$269	62.0%	14.4%	0.6%	5.4%	3.3x	23.2x
 <b>ESTÉE LAUDER</b>	\$78,177	\$74,316	\$15,234	77.4%	21.5%	7.3%	10.2%	5.1x	23.8x
 <b>KOSÉ</b>	\$7,656	\$8,306	\$3,120	73.1%	17.3%	4.6%	10.0%	2.5x	14.2x
<b>L'ORÉAL</b>	\$163,966	\$164,181	\$31,600	72.8%	22.0%	5.3%	4.4%	5.2x	23.6x
 <b>M A V</b> BEAUTY BRANDS	\$223	\$114	\$107	48.9%	23.4%	13.5%	nm	2.1x	9.0x
<b>REVLON</b>	\$4,458	\$1,136	\$2,462	57.1%	6.4%	(4.0%)	1.8%	1.8x	nm
 <b>SHISEIDO</b>	\$28,928	\$28,289	\$10,336	78.9%	13.6%	3.7%	10.1%	2.8x	20.6x
Mean				66.3%	16.4%	3.0%	6.6%	2.9x	17.3x
Median				67.5%	16.2%	3.4%	5.4%	2.6x	18.0x

## Historical Public Company Trading Multiples

TEV / EBITDA Multiples

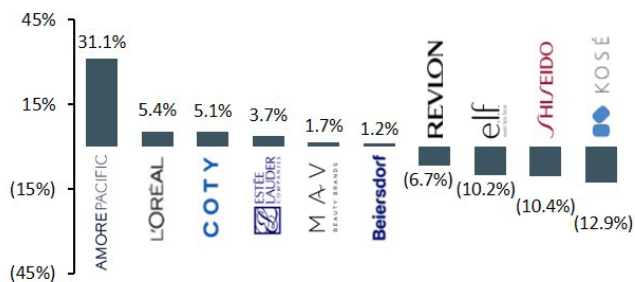


TEV / Revenue Multiples



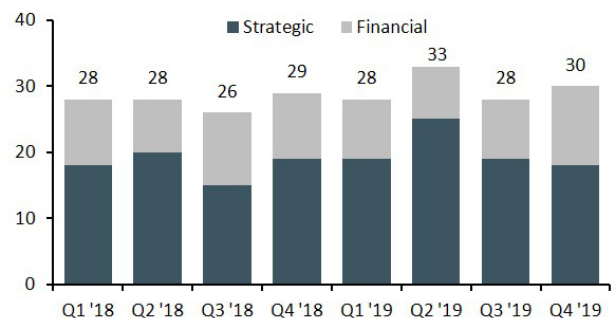
## Global Beauty Care Stock Price Performance

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 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> KAINOS KAINOS CAPITAL LP</p> <p>has made a minority investment in</p> <p>BEAUTYBIO</p> <p>Advisor to Kainos Capital, LP</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>LANZA®</p> <p>a portfolio company of</p> <p> Caltius Equity Partners</p> <p>has received a growth equity investment from</p> <p> WESTVIEW CAPITAL PARTNERS®</p> <p>in partnership with Chief Executive Officer David Berglass</p> <p>Advisor to 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™ The Solution for Scarz™</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>encore* consumer capital</p> <p>in partnership with management</p> <p>Advisor to LORAC Cosmetics</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  
[sdavis@intrepidib.com](mailto:sdavis@intrepidib.com)



**Mike Garcia**  
Managing Director  
[mgarcia@intrepidib.com](mailto:mgarcia@intrepidib.com)



**Lauren Antion**  
Vice President  
[lantion@intrepidib.com](mailto:lantion@intrepidib.com)



**Bryce Cutrino**  
Analyst



**Jake Rosen**  
Analyst



**Tyler Miller**  
Analyst

### 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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11755 Wilshire Blvd., 22<sup>nd</sup> Floor, Los Angeles, CA 90025 | T 310.478.9000 | [info@intrepidib.com](mailto:info@intrepidib.com) | Member FINRA/SIPC