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By Jessica Bates, Director at Dwight Funding

*Contributions by Michael Garcia, Managing Director in the
Beauty & Personal Care Practice at Intrepid Investment Bankers*

Raising Capital and Pursuing M&A in Uncertain Times

It's Late 2019 and Perhaps the Best Time to Be a Beauty & Personal Care Entrepreneur

There's been an influx of investment dollars and M&A activity in the Beauty sector over the past five years. Entrepreneurs with strong brands are successfully seeking investments and exits. Venture capital, private equity groups, and strategics are all participating.

You are the founder of an authentic, fast-growing beauty or personal care brand that is poised for a great year in 2020. It's going to be the year that you get that investment from one of the top growth equity groups and excel, you may even explore an exit.

Then COVID19 Hits...

The retailers in which you were launching are closing their doors, investors and equity groups have become more discerning, and the raise and M&A landscape are murky and unclear. The future is hard to predict. Are the markets still active? What should you do?

Dwight Funding, a Leader in Working Capital Funding for Growing Beauty Brands, Brings You the Answers

As a lender to many growth-stage beauty brands, Dwight Funding often works alongside top growth equity groups in the space to provide working capital debt funding to growing beauty brands as they scale. Now that we all face the "new norm," brands that we know and love are faced with many unknowns. I sat down with Mike Garcia, Managing Director at Intrepid Investment Bankers, an expert in capital raising and M&A in the growth stage beauty space, to bring some clarity to founders in these times of uncertainty.

HERE ARE SOME TAKE-AWAYS FROM OUR DISCUSSION

Innovation, Authenticity, and Accessibility Remain Key Value Drivers

In 2017, Intrepid Investment Bankers was the advisor on the sale of Native Deodorant. Moiz Ali, Founder of Native Deodorant, recognized a shift in consumer preference toward health and natural ingredients. He launched his natural deodorant brand that gained traction at a remarkable rate and ultimately sold to Proctor & Gamble (P&G) (NYSE: PG).

Many of the value drivers that led to the acquisition of Native Deodorant remain key value drivers today. Some even more so in our current environment. Mike elaborates, "Innovation and disruption to the status quo have always been attractive to investors and buyers, but the emphasis and importance of wellness and accessibility - think direct to consumer sales - are on the forefront of consumers' minds now more than ever." Authenticity and a need to exist have always been key value drivers but now more than ever, this is a requirement if exploring a transaction in the near term.



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Investors Are Still Investing

Intrepid has already closed a transaction in this environment and is currently running a process that investors have been eager to dig in on. Some categories may be less attractive to investors at this time, for example: “It may not be the best time to run a process for a business reliant on brick-and-mortar retailers that are closed, but if you need to do something, there are ways to craft a deal strategy where a deal can still get done,” Mike states.

Although some investment groups and buyers may be on the sidelines, there are plenty of growth and private equity funds with money to deploy. There will be opportunities for companies on the up and up, as well as for companies that need some help to get through these times. The strategy will be different for these different profiles, but the goal of a capital raise or a sale can be achieved.

Mike’s advice for companies currently looking to raise capital is: “If you are interested in understanding if you can complete a transaction without sacrificing valuation, the work to find this answer is easy to do. If you need to get a deal done right now because business is tough out there for you, there are ways to pursue that as well. Surround yourself with people you trust and that are willing to put in the time to understand your specific situation and needs. A good capital raising or M&A advisor will help you develop a customized process.”

Valuations Will Vary Based on Company Profile

While wellness and accessibility are key value drivers, they are not the only value drivers. If exploring a capital raise or sale, the business fundamentals must be there, and a combination thereof will drive valuation. Historically there was a large emphasis on top-line growth by investors and buyers. However, as Mike reports, “A balance between growth and profitability is an important consideration. Valuation is a triangulation of several factors such as size, growth, profitability, brand, category, velocity (retail) or cohort data (direct-to-consumer), community, and more.” Therefore, if the business metrics are evident, the product fulfills a need and the business is thriving even during these troubling times, the valuation could stand. If the business needs the funds or the sale, the timing, thus the valuation, may not be opportune.

...to Sum it Up

The market remains active for brands that are performing, and the timing for a capital raise or sale still makes sense. For companies that need to do a deal right now or in the immediate future, it is important to start preparing immediately and to design a process that will maximize the likelihood and magnitude of success. Lean on your advisors and network to help navigate the best path forward for your brand. Continue to be authentic and continue to resonate with consumer needs today—this, in combination with executing core business fundamentals, will best position the brand for a successful capital raise or sale in the future.



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Jessica is Director of Business Development at Dwight Funding, where she spearheads the funding efforts for early stage, growth stage and lower-middle-market companies in the Beauty growth and overall Consumer Goods growth spaces. Jessica and team partner with entrepreneurs to provide funding solutions designed specifically for the unique needs of growing consumer brands.

Prior to Dwight Funding, Jessica worked in the Investment Banking Division of Barclays Capital. At Barclays, she helped raise private debt and equity capital for both private and public companies globally.



Mike Garcia | Managing Director | mgarcia@intrepidib.com

Mike is a Managing Director in the firm's [Beauty & Personal Care practice](#), specializing on disruptive and high-growth consumer brands. He has more than 15 years of mergers and acquisitions experience and a deep understanding of trends and value-drivers across the Beauty & Personal Care and Consumer Growth sectors. He maintains ongoing dialogue with acquirers and investors in these sectors and has a proven track record of helping clients sell to global strategic acquirers and value-added private equity sponsors. Mike has received several recent recognitions, including being named "[One of the Most Influential Investment Bankers in Los Angeles](#)" in 2019 by the [Los Angeles Business Journal \(LABJ\)](#) as well as being named a Finalist in the "Service Provider of the Year" category at the annual LABJ Fashion & Beauty Awards in 2018.

About Dwight Funding

[Dwight Funding](#) is a leader in providing working capital solutions and lines of credit to early and growth-stage businesses. Dwight partners with entrepreneurs to provide funding solutions designed specifically for the unique needs of growing consumer brands. The products are structured to work alongside seed or private equity funding by covering all working capital needs of Beauty & Personal Care, E-commerce, Food and Beverage, and general consumer product companies. info@dwightfund.com

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 an 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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