

Strong Start and Rough Ending to Q1'20– Where Do We Go From Here?

Strong Start and Rough Ending to Q1'20—Where Do We Go From Here?

The Beauty Care M&A markets started the year with 26 transactions in Q1'20, which was down 7% from Q1'19 and down 13% from a strong year-end in Q4'19. Similar to Q4'19, the current quarter was dominated by strategic acquirers with deals announced by Procter & Gamble, Colgate, Beiersdorf, and new entrant e.l.f. Beauty. The quarter witnessed fairly limited private equity-led M&A with deals announced by Tengram Capital Partners, Bookend Capital, and Sandbridge Capital. Unlike Q4'19, which delivered multiple deals over \$750 million, Q1'20 was comprised primarily of smaller, middle-market transactions under \$250 million in value.

Despite strong Beauty Care M&A activity, the quarter will be remembered as the leading edge of the COVID-19 global pandemic that has negatively impacted all of our personal and professional lives with fast, dramatic, and sometimes tragic consequences. With the stock market correction beginning in late February and the first wave of stay-at-home orders going into place on March 19, most M&A activity halted in late March amid business closures, extreme uncertainty of financial results, contraction of financing options, and the simple inability to meet in-person, which forced most M&A processes to go on hold.

While these events had a small impact on Q1'20 M&A performance, we will most certainly see a dramatic drop in Beauty Care M&A activity in Q2'20 and an ongoing impact for the remainder of the year. However, Intrepid remains optimistic that we will rebound from this on a social and economic level faster than other crises (to learn more read [Pandemic Pandemonium and the Return of M&A](#)). Furthermore, Beauty Care markets have proven to be recession-resistant. Beauty Care M&A, in particular, will benefit from a robust pre-COVID-19 deal backlog, powerful underlying fundamentals, healthy strategic acquirers, continued private equity appetite, and a long list of high-growth beauty care brands that have either not been impacted by or are a beneficiary of the social and technological changes that are being accelerated by stay-at-home orders, social distancing guidelines, and shifts in consumer shopping behavior.

Q1'20 Beauty Care M&A highlights include:

- Deal volume was down 7% from Q1'19 and down 13% from a strong Q4'19.
- Strategic acquirers ruled the quarter with deals announced by Procter & Gamble, Colgate, Beiersdorf, and e.l.f. Beauty.
- Private equity activity was down with only a few deals in the quarter, including investments from Tengram Capital Partners, Bookend Capital, and Sandbridge Capital.
- Deal activity in the beauty care contract manufacturing and packaging sectors remained high following an active Q4'19.
- COVID-19-related events brought M&A activity to a halt in the last weeks of the quarter.

Stay tuned for more Intrepid perspectives on the impact of COVID-19 and the resulting state of the economy on the Beauty Care M&A markets in our Q2'20 M&A report.



Steve Davis
Managing Director
sdavis@intrepidib.com



Mike Garcia
Managing Director
mgarcia@intrepidib.com



Lauren Antion
Vice President
lantion@intrepidib.com

Recently Closed Transactions

Procter & Gamble Bolsters Female Grooming Portfolio with Acquisition of Billie

Procter & Gamble (P&G) (NYSE: PG) acquired Billie, a subscription-based, female grooming brand, marking its sixth beauty care acquisition and fourth direct-to-consumer (D2C) brand acquisition in the past three years. Founded in 2017, Billie is an exclusively D2C brand that provides women with premium, high-performance shaving and body care products including razors, shaving cream, body wash, and body lotion, all at affordable prices. With industry-wide softness in the shaving and hair removal sector, the transaction provides P&G needed growth in the category along with increased access to Millennials and Gen Z consumers and an expanded presence in the D2C channel. The acquisition comes less than a year after P&G's acquisition of digitally native feminine care brand This is L, and further strengthens the acquirer's female grooming portfolio which includes the Venus, Braun, and Joy brands. Co-founders Georgina Gooley and Jason Bravman will continue to operate the brand under its new ownership. Billie previously raised capital from Goldman Sachs, Silverton Partners, Serena Williams, and others.

billie



Colgate-Palmolive Acquires Oral Care Disrupter Hello Products

Colgate-Palmolive (NYSE: CL) acquired Hello Products (Hello), one of the fastest-growing, premium oral care brands. Founded in 2012, Hello offers vegan, sustainable, cruelty-free, SLS-free, fluoride-free, and naturally-derived oral care products including toothpaste, mouthwash, toothbrushes, floss, and accessories. The company has successfully developed strong multi-channel distribution across the food, drug, mass, and specialty retail channels, including Target, Walmart, Whole Foods, CVS, and Kroger, as well as online. Hello joins the Colgate-Palmolive oral care portfolio of brands including Colgate and Tom's of Maine. The acquisition will strengthen Colgate-Palmolive's foothold in the natural oral care category as well as increase its appeal among younger Millennials and Gen Z consumers. Founder, Craig Dubitsky, and CEO, Lauri Kien Kotcher, will both continue in their current roles under new ownership. Hello previously received funding from Tenth Avenue Holdings in 2013.

hello



COLGATE-PALMOLIV

e.l.f. Beauty Completes First Acquisition with W3ll People

e.l.f. Beauty (NYSE: ELF) completed its first acquisition, purchasing clean beauty pioneer W3ll People, for \$27 million. Launched in 2008, W3ll People offers premium, cruelty-free, and non-toxic beauty products for the eyes, lips, and face that are formulated with EWG-verified ingredients. The company has developed a broad multi-channel distribution network with retailers across the food, drug, and mass retail channels including Target, Walgreens, and Whole Foods; natural specialty retailers including Credo Beauty and The Detox Market; and online channels including Amazon and its own Website. According to industry sources, W3ll People expects to generate \$7 million in net sales for 2020, implying a forward revenue multiple of 3.9x. W3ll People previously received an investment from NextWorld Evergreen in 2018.

W3LL PEOPLE™
Beauty Conscious

elf
eyes lips face

High Ridge Brands Sells Hair, Skin, and Oral Care Brands

High Ridge Brands, a platform of mass-focused beauty and personal care brands, which filed for Chapter 11 bankruptcy in December 2019, has found buyers for its hair, skin, and oral care brands. Tengram Capital Partners announced plans to acquire the hair and skin care assets of High Ridge Brands, including the Alberto VO5, LA Looks, Salon Grafix, Coast, White Rain, Rave, Thicker Fuller Hair, Zest, and Zero Frizz brands. As part of the transaction, Tengram hired James Daniels, former CEO of High Ridge who oversaw the successful growth of the company, to lead the business. Tengram Capital has been one of the most active investors in the premium beauty care sector with current investments in Lime Crime, Algenist, RéVive, and Cos Bar and notable prior investments in Deva Curl, This Works, and Laura Geller. This transaction marks one of the firm's first beauty care acquisitions in the mass channel and represents a new beauty care platform for the firm. Perrigo Company announced its plans to acquire the High Ridge Brands oral care assets including the Dr. Fresh, Reach, and Firefly brands. This transaction closely follows Perrigo's acquisition of Ranir, the world's largest private-label oral self-care company, in July 2019. High Ridge Brands was owned by private equity group Clayton, Dubilier & Rice, which acquired the business from Brynwood Partners in 2016.

High Ridge
Brands

Tengram Capital Partners

Perrigo

Beiersdorf Acquires Sustainable Personal Care Brand Stop The Water While Using Me!

Beiersdorf AG (XTRA: BEI) acquired Stop The Water While Using Me!, a sustainable, natural skin care brand. Founded in Hamburg, Germany in 2011, the company provides an innovative line of biodegradable, refillable, and waterless skin care, body care, and hair care products intended to reduce water waste and plastic consumption. The company sells its products through more than 350 retail stores and 150 hotels as well as online. The investment strengthens Beiersdorf's position in the natural sector and further supports its C.A.R.E.+ strategy, which includes the strategic priorities of growing its skin care portfolio and increasing its commitment to social and environmental efforts. Stop The Water While Using Me! will continue to operate independently of Beiersdorf.

STOP
THE WATER
WHILE
USING ME!

BDF ●●●●
Beiersdorf

Recently Closed Transactions (cont.)

Luxury Brand Partners Raises \$50 Million from Bookend Capital

Bookend Capital made a \$50 million minority investment in Luxury Brand Partners (LBP), a brand incubator and operator of premium, artist-driven beauty brands. Founded in 2012, LBP has helped build numerous successful beauty brands including Pulp Riot, Oribe Hair Care, Becca Cosmetics, IGK, Smith & Cult, V76, In Common, and R+Co. Several of these brands have been acquired by high-profile strategic buyers, including Estée Lauder's acquisition of Becca Cosmetics for an estimated \$230 million in 2016, Kao's acquisition of Oribe Hair Care for an estimated \$400 million in 2017, and L'Oréal's acquisition of Pulp Riot for more than \$100 million in 2018. With the investment, LBP plans to accelerate growth, increase the number of brands launched per year, access a larger pool of management talent, and consider potential add-on acquisitions. According to industry sources, LBP will generate approximately \$500 million in sales in 2020. Bookend Capital is an investment fund founded by Alex Panos, formerly of TSG Consumer Partners.



LUXURY BRAND PARTNERS

BOOKEND
CAPITAL PARTNERS

Peach & Lily Receives Minority Investment from Sandbridge Capital

Sandbridge Capital made a minority investment in Peach & Lily, a skin care and color cosmetics company focused on bringing Korean beauty trends to the U.S. Founded in 2012 by Alicia Yoon, the company comprises two brands: Peach & Lily and Peach Slices. Peach & Lily is a prestige skin care and makeup brand primarily sold online and in Ulta, while Peach Slices offers fun and affordable skin care products sold online and in the mass channel, most notably at CVS and Target. The company also serves as a distributor for other Korean beauty brands, selling their products directly through the Peach & Lily Website. The company plans to use the proceeds to fund international growth and to create more experiential offerings for the loyal Peach & Lily customer base. Sandbridge Capital has experience in the beauty category through its investments in Youth to the People and Ilia Beauty.

PEACH & LILY

SANDBRIDGE
CAPITAL

L'Oréal to Divest Roger & Gallet to Impala Group

L'Oréal (ENXTPA: OR) announced plans to sell the Roger & Gallet brand to Impala Group, the investment holding company of French entrepreneur Jacques Veyrat. Roger & Gallet was founded in 1862 as a pharmacy fragrances brand and has since expanded its product portfolio to include toiletries, perfumes, and skin care products. Following an in-depth strategic review, L'Oréal decided to divest the brand, which it acquired as part of its acquisition of Yves Saint Laurent Beauté in 2008. Roger & Gallet generated approximately \$57 million of sales in 2018. Impala previously invested in premium skin care brand Augustinus Bader. The deal is expected to close this summer.



IMPALA

LG Household & Health Care to Acquire Select Rights to Physiogel from GSK

LG Household & Health Care (KOSDAQ: A051900) agreed to acquire Physiogel's business rights in North America and Asia from GlaxoSmithKline for \$161 million. Physiogel is a global dermo-cosmetics brand that offers a range of daily skin care products that target sensitive skin. Physiogel generated more than \$91 million in global sales in 2018, with over \$54 million coming from Asia. The acquisition aligns with LG Household & Health Care's goal of bolstering its skin and personal care portfolio. Following the integration, LG Household & Health Care plans to increase penetration of the Physiogel brand in the Japanese, Chinese, and American markets and move production of the Physiogel products to its existing plants in South Korea, China, Japan, and the U.S. The deal is expected to close in the second half of 2020.

PHYSIOGEL
HYPOALLERGENIC

LG Household & Health Care

Continued Consolidation in Beauty Care Contract Manufacturing & Packaging Sectors

Following an active Q4'19, deal activity in the beauty care contract manufacturing and packaging sectors remained high. Knowlton Development Corporation (KDC/ONE) strengthened its West Coast presence with its acquisition of Cosmetic Laboratories of America, a custom formulator and contract manufacturer across the beauty, personal care, and household categories based in California. KDC/ONE made its first acquisition in Asia announcing an agreement to acquire Shanghai Paristy Daily Chemical, a manufacturer and formulator of color cosmetic products for the prestige and mass markets. Additionally, KDC/ONE acquired Zobebe Group, a leading manufacturer of domestic air fresheners and other air care products. Aptar Group, a leading global supplier of dispensing systems and packaging and drug delivery solutions, agreed to acquire Fusion Packaging, a leading provider of high-quality packaging products for the cosmetics and skin care categories. Amelia Knight, a private label beauty cosmetics manufacturer, acquired Longshaw Packaging, a manufacturer of personal care and cosmetic products based in the U.K. Guy & O'Neill, a portfolio company of Centre Partners and a manufacturer of household cleaning supplies and personal care products, acquired Boomerang Laboratories, a manufacturer of liquid products for the household and personal care categories. Finally, Palladium Equity Partners acquired Accupac, a leading formulator and contract manufacturer of personal care products, from J.H. Whitney Capital Partners.

kdc
KNOWLTON



ZOBELE
GROUP

PARISTY
DAILY CHEMICAL

FUSIONPKG Aptargroup

longshaw
PACKAGING

Amelia Knight
COSMETICS

BOOMERANG
LABORATORIES

GUY & O'NEILL

accupac



Industry News

Henkel and KKR Advance in Bidding for Coty Professional Portfolio

According to industry sources, Henkel AG and KKR & Co. have been selected to move to the second round in the contemplated sale of Coty's Professional Beauty unit. Bidders that either dropped out of the process or were not chosen to advance include Advent International, Bain Capital, Clayton Dubilier & Rice, and a consortium of Cinven and the Abu Dhabi Investment Authority. Other potential buyers, such as Unilever and Boticario Group, have expressed an interest in acquiring only parts of the portfolio. According to industry sources and as reported in the [Q4'19 Intrepid Beauty Care M&A Report](#), Coty expects to generate approximately \$8 billion from the sale of the Professional Beauty unit. While initially anticipating a summer 2020 transaction close, it has since been reported following the close of Q1'20 that both Henkel and KKR are holding off on bidding in order to assess the impact of the COVID-19 crisis which has disrupted the financing markets and negatively impacted business performance, particularly for brands such as Wella, OPI, and Sebastian Professional which serve the professional salon industry.



Edgewell Abandons \$1.4 Billion Acquisition of Harry's

Edgewell Personal Care (NYSE:EPC) abandoned its \$1.37 billion acquisition of Harry's in the wake of the Federal Trade Commission (FTC) filing suit to block the transaction. Founded in 2013, Harry's sells shaving products through an online subscription service and in retail stores. The FTC complaint alleges that prior to Harry's founding, the razor industry was controlled by a duopoly of Procter & Gamble's Gillette and Edgewell's Schick brands. It further stated that Gillette and Schick lowered prices following Harry's entrance into Target and Walmart and that the acquisition would eliminate market competition, reduce innovation, and increase prices for consumers.



Unilever Initiates Strategic Review of Health and Beauty Portfolio

In an effort to maximize the growth of its beauty and personal care portfolio, Unilever announced plans for a strategic review of its health and beauty brands, which accounted for approximately 42% of revenue and grew 2.6% last year. The nine to 12 month review will focus on underperforming brands which primarily include lower-end and mass market brands. As demonstrated by its M&A strategy, Unilever is focused on faster growing premium channels and purpose-driven brands as noted by the recent acquisitions of Tatcha in 2019, Schmidt's Naturals in 2018, and Sundial, Carver Korea, Hourglass, and Living Proof in 2017.



Beauty and Wellness Fund Waldencast Completes Three Investments

Waldencast, a holding company and investment fund that incubates and accelerates early stage beauty and wellness brands, announced investments in three beauty and personal care companies. Kjaer Weis is a high-performance, organic, and sustainable color cosmetics brand; Sallve is a Brazilian digitally native cosmetics and skin care brand; and Manual is a leading male wellness and grooming brand and digital platform. Founded in 2019, by former L'Oréal executives Michel Brousset and Hind Sebt and former investment banker Simon Sarazin, Waldencast seeks to partner with disruptive beauty care brands and help them rapidly scale through funding and industry specific operational expertise.



Mynd Spa & Salon Files for Bankruptcy Marking the First Beauty Care Casualty of Coronavirus

Mynd Spa & Salon filed for Chapter 7 bankruptcy relief in the Southern District of New York. Formerly known as Elizabeth Arden Red Door Spa, the multi-unit salon and spa chain rebranded its 26 locations last year to appeal to a younger, wellness-oriented customer. The bankruptcy filing came days after the company closed stores in response to the COVID-19 pandemic. North Castle Partners has backed Mynd Spa & Salon since its initial investment in 2010. Given the forced closure of salons, spas, and other beauty services in many states across the country, Mynd Spa & Salon will likely be the first of numerous coronavirus casualties to come in the professional beauty care sector.










Increasing Volume of Early-Stage Funding for Clean Beauty Brands

As the market shifts towards clean products and consumers increasingly link health and beauty, natural and better-for-you brands are attracting early and aggressive interest from investors and acquirers. The first quarter witnessed a plethora of early-stage investments in clean beauty brands focused on organic and sustainable ingredients. Founded in 2015, clean cosmetics brand Kosas secured Series B funding in a round led by Stripes Group. Ilia Beauty, a clean makeup brand offering ethically and sustainably sourced products, raised \$11.5 million of Series B funding led by Sandbridge Capital with participation from Silas Capital, implying a \$46 million pre-money valuation. Type:A, a clean, aluminum-free deodorant brand, raised \$2.4 million in seed funding in a transaction co-led by Fernbrook Capital Management and Marigay McKee. Mamaearth, an Indian natural skin care, hair care, and baby care products company, and a subsidiary of Honasa, secured \$18 million in Series B funding led by Sequoia Capital India. WAAM Cosmetics, a sustainably sourced cosmetics brand, raised £1.5 million in seed funding from BPI France and Karot Capital. Gisou by Negin Mirsalehi, a natural honey-bee infused skin and hair care brand, received a minority investment from Vaultier7. Finally, For The Biome, a clean skin care brand free of preservatives, fillers, and toxins, received development capital from family office JH Capital.

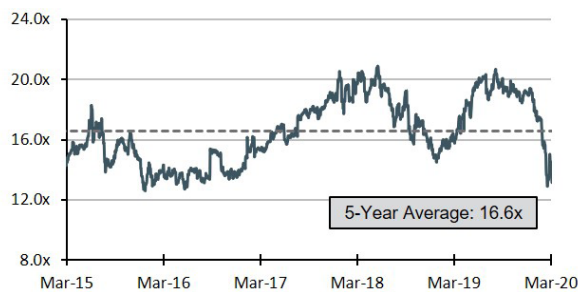


Publicly Traded Companies (USD Millions)

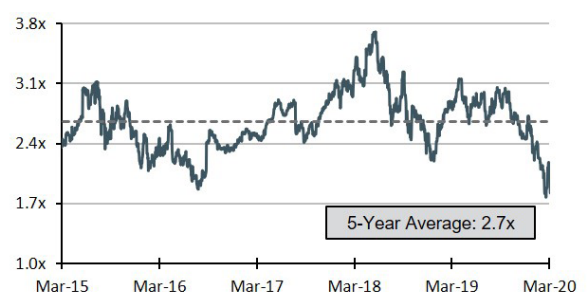
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year	Revenue	EBITDA
AMOREPACIFIC	\$5,232	\$3,519	\$5,094	73.9%	17.1%	3.8%	(2.6%)	1.0x	6.0x
 Beiersdorf	\$21,175	\$22,815	\$8,317	57.9%	17.1%	4.2%	3.9%	2.5x	14.9x
 COTY	\$11,732	\$3,924	\$8,394	62.6%	16.2%	(5.0%)	9.0%	1.4x	8.6x
 elf	\$566	\$492	\$271	63.6%	14.5%	2.5%	4.5%	2.1x	14.4x
 ESTÉE LAUDER COMPANIES	\$61,588	\$57,289	\$15,853	77.5%	22.1%	8.8%	11.0%	3.9x	17.6x
 KOSÉ	\$6,430	\$7,069	\$3,106	72.9%	16.0%	0.3%	7.8%	2.1x	12.9x
L'ORÉAL	\$142,320	\$144,945	\$32,464	73.0%	22.2%	8.1%	5.6%	4.4x	19.8x
 M A V BEAUTY BRANDS	\$174	\$51	\$108	49.0%	23.7%	6.2%	40.4%	1.6x	6.8x
REVLON	\$3,777	\$577	\$2,420	56.7%	6.1%	(5.4%)	(0.9%)	1.6x	25.6x
 SHISEIDO	\$25,167	\$23,699	\$10,519	77.5%	15.2%	2.4%	9.2%	2.4x	15.7x
Mean			66.5%	17.0%	2.6%	8.8%	2.3x	14.2x	
Median			68.2%	16.6%	3.1%	6.7%	2.1x	14.6x	

Historical Public Company Trading Multiples

TEV / EBITDA Multiples

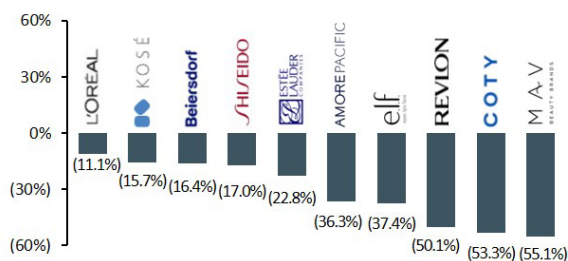


TEV / Revenue Multiples



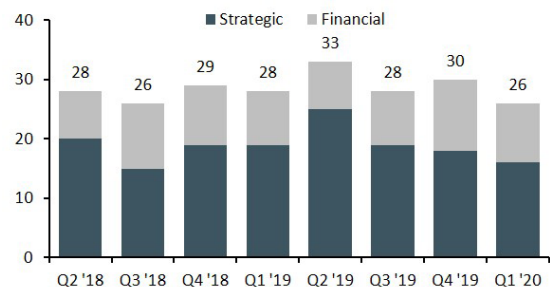
Global Beauty Care Stock Price Performance

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>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> 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 ScarAway</p> <p>to</p> <p>Perrigo</p> <p>Advisor to Enaltus</p>	<p>JD Beauty Group</p> <p></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>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



Mike Garcia
Managing Director
mgarcia@intrepidib.com



Lauren Antion
Vice President
lantion@intrepidib.com



Jake Rosen
Analyst



Bryce Cutrino
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.