



Beauty Care M&A Report - Q2'20

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As anticipated, the Beauty Care industry experienced a significant drop in M&A volume in Q2'20, down 39% from Q2'19 and 23% from Q1'20. While the percentage decline was material, the Beauty Care M&A markets proved resilient with 20 transactions, only six fewer than Q1'20, in light of a global pandemic, business closures, financial uncertainty, contraction of the financing markets, and the inability of buyers and sellers to meet in person. Furthermore, the quarter witnessed a number of high profile Beauty Care M&A transactions, including acquisitions by L'Oréal, Puig, Amorepacific, and Coty alongside continued private equity investments with deals announced by KKR, L Catterton, and Main Post Partners. In addition, three transactions topped enterprise values of \$1 billion each.

The 20 announced deals certainly benefited from deal momentum and processes that began prior to the first wave of stay-at-home orders in mid-March. As such, Intrepid expects continued and material softness in the Beauty Care M&A markets in Q3'20 driven by the disruption of processes in Q2'20, continued market uncertainty, and logistics challenges.

However, Intrepid is already witnessing signs of a rebounding Beauty Care M&A market with increasing deal inquiries from strategic and private equity acquirers and the re-engagement of select M&A processes – particularly for brands that have either not been impacted by or are a beneficiary of stay-at-home and social distancing orders. Given the timing of typical deal processes, such signs of activity will likely manifest in increased Beauty Care M&A announcements in Q4'20 and early 2021.

Q2'20 Beauty Care M&A highlights include:

- Deal volume was down 39% from Q2'19 and down 23% from a strong Q1'20.
- Strategic acquirers remained active with deals announced by L'Oréal, Puig, Coty, and Amorepacific – although most such deals were already in process prior to the material market disruptions in mid-March.
- Private equity groups continued to invest in beauty with deals announced by L Catterton Asia, KKR, and Main Post Partners.
- Increasing M&A activity in the fast-growing beauty ingestibles category with investments in Vital Proteins, Lashilé Beauty, and Sundaily.



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Recently Closed Transactions

KKR Announces Investment in Coty and Acquisition of Professional Hair Care Portfolio

KKR & Co. (KKR) announced the planned acquisition of a 60% stake in Coty's Professional Beauty and Retail Hair Business, at a reported \$4.3 billion enterprise value, implying a 1.8x revenue multiple and 12.3x EBITDA multiple. The Professional Beauty and Retail Hair Business, which is primarily comprised of the Wella, Clairol, OPI, and ghd brands, will be carved out into a separate entity jointly owned by the two parties. The brands were previously acquired by Coty from Procter & Gamble (P&G) in 2016 as part of the acquisition of P&G's Specialty Beauty Business, a collection of 43 brands across fragrances, color cosmetics, and hair care. The deal proved problematic for Coty and led to large write-offs in recent years. Such performance issues have been exacerbated in recent months with the impact of COVID-19 on brands such as Wella and OPI which serve the professional beauty industry. As part of the transaction, Coty will issue \$250 million of convertible preference shares to KKR, which is in addition to a prior issuance of \$750 million of such securities. Coty expects to use the proceeds from these transactions to deleverage its balance sheet and invest in its core prestige and mass beauty brands. KKR will receive two seats on Coty's Board of Directors and, assuming full conversion, KKR will become the second largest shareholder with a 17% ownership stake in Coty. In related events, Chairman Peter Harf will assume the additional role of Chief Executive Officer.



Puig Acquires Majority Stake in Charlotte Tilbury

Puig acquired a majority stake in U.K.-based Charlotte Tilbury Beauty alongside its founders and BDT Capital Partners. Founded in 2013, Charlotte Tilbury is a high-growth luxury cosmetics and skin care brand sold across prestige retail and eCommerce channels including Sephora, Nordstrom, Net-a-Porter, Cult Beauty, and its company-owned Website. The transaction provides Puig, a Spanish family-owned fashion and fragrance house, further penetration into the color cosmetics category and will enable Charlotte Tilbury to access Puig's global footprint. According to industry sources, the purchase price for Charlotte Tilbury was an estimated £1.2 billion, representing an approximate 5x revenue multiple. Charlotte Tilbury had previous investments from private equity and venture investors, including Venrex Investment Management, Samos Investments, and most recently Sequoia Capital. Following the acquisition, Tilbury will stay on as Chairman, President, and Chief Creative Officer, and Demetra Pinsent, who has been with the brand since inception, will retain her role and title as Chief Executive Officer.



L'Oréal Acquiring Thayers Natural Remedies

L'Oréal entered into an agreement to acquire Thayers Natural Remedies, a natural skin care brand best known for witch hazel. Founded in 1847, Thayers' current product portfolio includes facial toners, mists, astringents, cleansers, balms, deodorants, and its renowned Witch Hazel Aloe Vera Formal Facial Toner. The company has expanded distribution from the natural channel and now sells across multiple channels, including natural grocery stores, drugstores, mass, specialty, and online. According to industry sources, L'Oréal is acquiring Thayers for a reported \$400 million. Thayers generated sales of approximately \$44 million in 2019 and according to industry sources was on pace for significant growth in 2020, implying a revenue multiple of approximately 7x. Thayers will join L'Oréal's Consumer Products Division, which includes the L'Oréal Paris, Garnier, NYX, Maybelline, Essie, Stylenanda, Dark & Lovely, Magic Mask, and Niely brands.



Dr. Dennis Gross Skin Care Receives Minority Investment from Main Post Partners

Main Post Partners made a minority equity investment in Dr. Dennis Gross Skin Care, a clinical, solutions-focused skin care brand. Founded by dermatologist Dr. Dennis Gross in 2000, the company's portfolio consists of a broad range of premium skin care products, including peels, cleansers, serums, and moisturizers. The brand is sold across a multi-channel distribution network including prestige retail, professional, eCommerce, and international. According to industry sources, the company will generate approximately \$100 million of retail sales in 2020. In partnership with Main Post, Dr. Dennis Gross Skin Care will invest in new product development, drive brand awareness in North America, continue to expand its international business, and make additional strategic hires. Main Post Partners is an active investor in the Beauty Care sector with current investments in Milk Makeup, Sugared + Bronzed, and Not Your Mother's as well as highly successful prior investments in Too Faced Cosmetics and Edge Systems dba The HydraFacial Company.



ETVOS Receives Significant Investment from L Catterton Asia

L Catterton Asia made a significant minority investment in ETVOS, a leading Japanese natural cosmetics brand. Founded in 2007, ETVOS introduced Japanese-made, mineral-based cosmetics to the market and today offers a diverse product portfolio that spans the color cosmetics, skin care, and hair care categories. ETVOS sells its products through six company stores, over 400 multi-branded retail locations, and online. L Catterton is an active beauty care private equity group with investments in Elemis, Cover FX, Intercos, and The Honest Company. This transaction represents the first investment by L Catterton in a Japanese beauty brand.



Recently Closed Transactions (cont.)

Coty Acquiring Minority Interest in KKW Beauty

Coty announced plans to acquire a 20% stake in KKW Beauty, Kim Kardashian West's beauty brand, for \$200 million, representing an implied valuation of \$1 billion. In addition, Coty will enter a license agreement with KKW Beauty for new beauty categories including skin care, personal care, hair care, and nail. Launched in 2017 with an Instagram-friendly contouring kit, KKW Beauty now offers a broad portfolio of beauty care products focused on makeup and fragrance. The brand is currently sold through its company-owned Website and Ulta. Kim Kardashian West and her team will continue to lead product and communications efforts, leveraging her 300 million followers across various social media platforms. The transaction follows an eventful year for Coty which included the recent acquisition of a 51% stake in Kylie Cosmetics, Kardashian West's younger sister's beauty brand; an investment by KKR; the announced sale of a 60% stake in its professional beauty and retail hair businesses to KKR; and multiple management changes. Kim Kardashian West retains her majority stake, which according to industry sources is approximately 72%, with her mother Kris Jenner holding the remaining 8%.

KKW BEAUTY

COTY

Amorepacific Acquires Substantial Minority Stake in Rationale

Amorepacific acquired a 49% stake in Rationale, a leading Australian luxury skin care brand. Founded in 1992, Rationale has developed a portfolio of science-based, personalized skin care products and services, including Essential Six Collections, its best known offering consisting of a variety of serums, creams, and cleansers for solar protection and repair. Rationale currently operates exclusively in Australia through its company-owned retail and online stores and through a network of dermatologists and plastic surgeons. The investment strengthens Amorepacific's luxury portfolio and furthers their strategy in the personalized cosmetics category. With Amorepacific's partnership, Rationale plans to expand globally to the U.S., U.K., and Asia. The two companies also plan to work together to establish a local production base for Rationale in Australia and expand the brand's existing retail presence.

RATIONALE

AMOREPACIFIC

Margaret Dabbs London Sells Minority Stake to Best World International

Margaret Dabbs London sold a 49.9% stake to Best World International, a Singapore-headquartered beauty, nutritional, and wellness company. Founded in 2004 by podiatrist and foot expert Margaret Dabbs, the company specializes in premium foot, hand, and leg care products and services through its nine clinics in the U.K., four clinics in the Middle East and Spain, and a line of luxury hand, foot, and leg retail products. The product line, initially developed for use in the clinics, is now sold direct-to-consumer through its own Website and through its company-operated clinics, luxury hotels and spas, and select prestige retail partners including Harrods and SpaceNK. Margaret Dabbs generated £7.7 million in revenue and £1.8 million in EBITDA in 2019. According to industry reports, the transaction values Margaret Dabbs at £27.7 million, implying a revenue multiple of 3.6x and an EBITDA multiple of 15.5x. Best World International reserves the option to acquire the remaining 50.1% of Margaret Dabbs London.

Margaret Dabbs
LONDON

bestworld

Cosway to Acquire ColorProof Hair Care Brand

Cosway acquired ColorProof Color Care Authority, a salon hair care and treatment brand designed to protect, repair, and preserve color-treated hair. Founded by serial entrepreneur Jim Markham in 2012, ColorProof's portfolio consists of performance-based hair care products, including shampoos, conditioners, and styling products sold through the professional salon channel. Cosway is a contract manufacturer of over-the-counter, personal care, and beauty care products and has been a shareholder in ColorProof for many years. ColorProof will benefit from the cost savings of vertical integration and leverage of in-house product development under the new Cosway ownership. Current principals at Intrepid, while at its predecessor firm, advised TSG Consumer Partners and Jim Markham on the sale of his former business, PureOlogy Research, a premium salon hair care brand, to L'Oréal in 2007.

ColorProof.
COLOR CARE AUTHORITY.

COSWAY

Increasing M&A Activity in the Beauty Ingestibles Category

The beauty ingestibles category has been attracting increasing attention from consumers, retailers, and now M&A suitors. Such interest has been exacerbated by rising demand for supplements driven by the social and wellness-focused impacts of COVID-19 and culminated in three M&A deals in Q2'20. Vital Proteins, a provider of collagen-based health and beauty supplements, was acquired by Nestlé Health Science. The transaction highlights Nestlé Health Science's continued focus on consumer wellness with a push into the fast-growing collagen-based products category. Joël Palix, former CEO of Clarins Fragrance Group and Feelunique.com, invested in French direct-to-consumer beauty supplements brand Lashilè Beauty. Lashilè Beauty provides gummy-form beauty supplements across the hair care, skin care, sun care, digestive health, and weight management categories. Finally, Grove Collaborative acquired Sundaily, a leading ingestible skin care brand. Founded by Harvard Medical researcher Dr. Emilia Javorsky and designer Chris Tolles, Sundaily targets underlying skin care concerns that topical solutions are unable to address.

VITAL PROTEINS™

Lashilè
BEAUTY
Laboratoire Nutritionnel

Sundaily

Industry News

Revlon Said to Reach \$1.8 Billion Refinancing Agreement

Revlon has secured a \$1.8 billion refinancing package including two senior secured term loans maturing in June 2025. The proceeds will be used to refinance existing debt, provide liquidity during the current COVID-19 pandemic, and afford the management team time to continue implementing operational improvements in the business. Furthermore, the extended maturities should relieve pressure to sell all or portions of the company – a process Revlon had begun exploring according to industry sources.

REVLON

Chinese Direct-to-Consumer Brand Perfect Diary Raises \$100 Million

Yatsen Global, owner of the digitally native Chinese beauty brand, Perfect Diary, raised \$100 million in venture funding led by Tiger Global Management with participation from Hopu Investment Management and Boyu Capital, valuing the company at \$2 billion. Founded in 2017, Perfect Diary is a direct-to-consumer color cosmetics and skin care brand that ranked as the top-seller for cosmetics on Alibaba's Tmall eCommerce platform in 2019. The digital brand targets Millennials and Gen Z with its rapidly growing social media presence and accessible price point. The brand opened its first retail store in Shenzhen, China in January 2019, and quickly expanded to 40 stores across 20 Chinese cities by the end of the year. The company recently completed its last funding round in 2019 and, according to industry sources, is preparing for an initial public offering. The capital investment will support the company's aggressive store opening plans and the recent launch of Yatsen Global's second beauty brand, Abby's Choice. In other fundraising news, Burst Oral Care closed a Series C funding round of more than \$40 million led by Goldman Sachs' Growth Equity Platform, GS Growth.

PERFECT DIARY
BEAUTY

TIGERGLOBAL



Unilever Simplifies Organizational Structure in Preparation for More M&A

Unilever announced plans to legally restructure its operations under parent company Unilever plc by initiating a cross-border merger between existing entities Unilever plc and Unilever NV. The restructuring is intended to increase Unilever's strategic flexibility, access to capital, and ability to consummate share-based transactions in preparation for continued acquisitions. The Beauty & Personal Care and Home Care divisions, which account for approximately two-thirds of revenue, will continue to be run from the U.K. Unilever has been one of the most active acquirers in the Beauty Care sector over the past several years with acquisitions of Tatcha, Lenor Japan, Garancia, Schmidt's Naturals, Sundial, Carver Korea, and Hourglass, to name a few.



Macy's Explores Strategic Options for Bluemercury

Macy's Inc. is exploring strategic options for luxury beauty products and spa retail chain Bluemercury according to industry sources. Macy's acquired Bluemercury in 2015 for \$210 million. Since the acquisition, Macy's has roughly tripled the store count, reaching 171 current locations in addition to 20 boutiques inside Macy's department stores. The report of a potential Bluemercury sale coincides with multiple initiatives Macy's has taken to improve its liquidity and financial position, which has been hampered by recent store closures, slowdown in retail sales, and a high debt load. In June 2020, Macy's raised \$4.5 billion in debt capital to refinance existing debt with upcoming maturities and provide needed funds to weather the retail impact of the COVID-19 pandemic. Macy's stock has declined by over 50% since the first of the year to the end of Q2'20, and market capitalization has fallen from \$5.1 billion to approximately \$2.1 billion over the same period.

bluemercury
makeup • skincare • spa



Violet Grey Exploring Deal Options

Violet Grey, a luxury beauty online retailer, is reportedly exploring strategic options including fundraising. Founded in 2013 by Cassandra Grey, the retailer sells a curated assortment of luxury beauty and wellness products and markets these items through blog-like editorial content intended to engage consumers. The brands are sold online and through one brick-and-mortar storefront in Los Angeles. According to industry sources, Violet Grey expects to generate approximately \$15 million in revenue in 2020. Violet Grey previously secured funding from Beechwood Capital in 2016, Shiseido in 2018, and Agility Capital and Assembled Brands in 2020, in addition to several additional venture capital investors.

VIOLET GREY

Strategic Partnerships Drive Clean Beauty in Prestige Retail

Ulta announced its first foray into the clean beauty category through a strategic partnership with Credo Beauty, the largest clean beauty retailer in the U.S. Founded in 2015 by two beauty industry veterans, Credo currently operates nine-owned retail stores in addition to its fast-growing online store, and has partnerships with more than 130 clean beauty brands. Ulta plans to sell brands carried by Credo, beginning with a Credo endcap featuring eight brands across 100 Ulta doors in the fall and a dedicated Credo landing page on Ulta's Website. Similarly, Sephora successfully established a Clean at Sephora program in 2018, but announced plans to bolster its footprint in the clean beauty category by partnering with Beautycounter to launch an online and in-store pop-up at Sephora from July to October 2020. Founded in 2013, Beautycounter is a leading provider of safe, effective skin care, cosmetics, and hair care products focused on ingredient transparency. Both partnerships underscore the increasing consumer demand for natural and better-for-you brands, which has been further accelerated as a result of COVID-19 with clean beauty up 11% while total prestige beauty sales were down 14% as of year-to-date April 2020.



SEPHORA

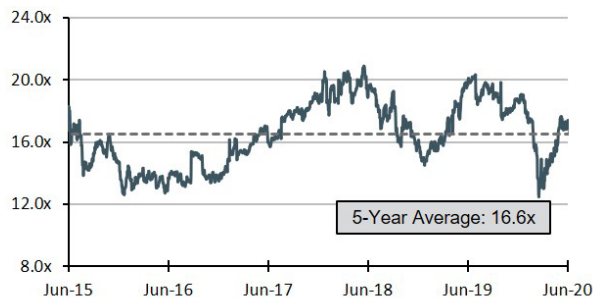
BEAUTYCOUNTER

Publicly Traded Companies (USD Millions)

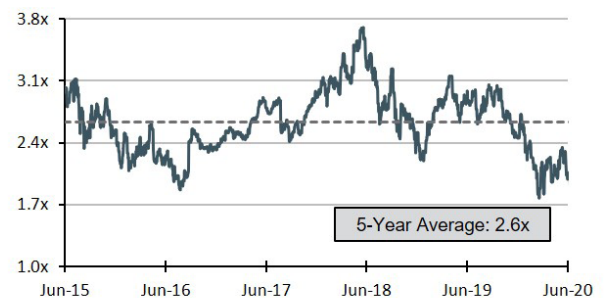
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year	Revenue	EBITDA
AMOREPACIFIC	\$5,307	\$3,415	\$4,933	73.9%	17.0%	(2.5%)	(3.0%)	1.1x	6.3x
BDF ●●●● Beiersdorf	\$24,236	\$25,943	\$8,658	57.9%	17.1%	2.6%	3.5%	2.8x	16.4x
COTY	\$12,352	\$3,411	\$7,931	62.1%	14.3%	(8.3%)	1.2%	1.6x	10.9x
elf	\$1,060	\$954	\$283	64.0%	14.4%	6.6%	4.3%	3.7x	26.0x
ESTÉE LAUDER COMPANIES	\$71,924	\$67,925	\$15,454	76.8%	20.7%	4.0%	9.3%	4.7x	22.5x
KOSÉ	\$6,181	\$6,924	\$3,069	72.9%	15.2%	(2.0%)	6.0%	2.0x	13.2x
L'ORÉAL	\$178,044	\$180,777	\$33,797	73.0%	22.2%	5.3%	5.0%	5.3x	23.8x
M A V BEAUTY BRANDS	\$213	\$66	\$116	49.5%	24.6%	10.7%	43.5%	1.8x	7.5x
REVLON	\$3,819	\$508	\$2,319	56.6%	5.3%	(8.0%)	(4.3%)	1.6x	nm
SHISEIDO	\$27,575	\$25,571	\$10,160	77.1%	13.2%	(3.7%)	6.0%	2.7x	20.5x
Mean			66.4%	16.4%	0.5%	7.2%	2.7x	16.4x	
Median			68.5%	16.1%	0.3%	4.6%	2.4x	16.4x	

Historical Public Company Trading Multiples

TEV / EBITDA Multiples

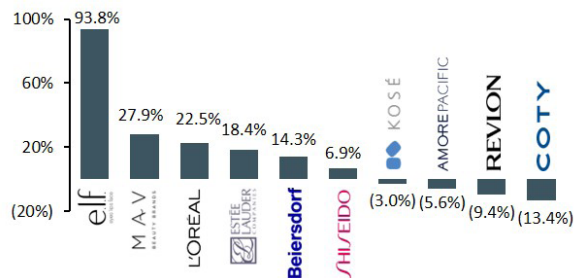


TEV / Revenue Multiples



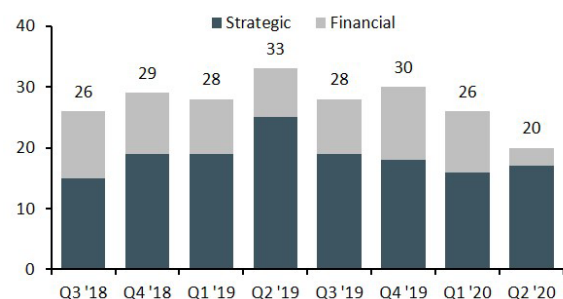
Global Beauty Care Stock Price Performance

Past Three-Month Stock Price Performance





Global Beauty Care M&A Transactions

of Announced Beauty Care Transactions by Quarter



Select Transactions

 <p>has received an equity investment from</p>  <p>Advisor to Lilly Lashes</p>	<p>JD Beauty Group</p>  <p>BIO:IONIC  Ouidad</p> <p>a portfolio company of</p> <p><i>tOspin</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>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>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>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>Wet brush</p> <p>has obtained a majority investment from</p> <p><i>tOspin</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>

*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



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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.