

Beauty Care M&A Report - Q3'20

Beauty Care M&A Remains Depressed But Recovery on the Horizon

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As highlighted in our [Q2'20 Intrepid Beauty Care M&A Report](#), M&A volume within the Beauty Care industry remained depressed in Q3'20, down 32% from Q3'19 and 5% from Q2'20. The continued softness in the Beauty Care M&A markets in Q3'20 was driven primarily by the significant disruption of M&A processes in Q2'20 related to the onset of the global pandemic and resulting business closures and stay-at-home orders in April and May.

The Beauty Care M&A markets however were once again resilient with 19 transactions in the quarter, down only seven deals from pre-pandemic levels in Q1'20. In addition, the quarter witnessed continued strategic acquirer activity including Beauty Care M&A transactions announced by Edgewell, Henkel, and The Hut Group. While the traditional private equity markets were quiet in Q3'20, the quarter saw the re-emergence of private equity-backed Beauty Care platforms including General Atlantic-backed FORMA Brands and investments in Beach House Group by Monogram Capital Partners and Present Life by The Craftory.

Furthermore, despite softness in quarterly volume levels, the market is already in the process of a material rebound with the re-engagement of select M&A processes previously on hold, the launch of new processes, and increasingly active interest from both strategic and private equity acquirers. The rebound in activity has been exacerbated by the lack of completed deals in the last two quarters and both buyers and sellers gaining comfort with the new normal logistics of virtual management presentations and online meetings. Barring further business shut-downs or a reinstatement of stay-at-home orders, Intrepid expects a significant rebound in Beauty Care M&A deal volume in Q4'20 and early 2021.

Q3'20 Beauty Care M&A highlights include:

- Deal volume was down 32% from Q3'19 and down 5% from Q2'20.
- Strategic acquirers led the quarter with deals announced by Edgewell, Henkel, and The Hut Group while traditional private equity activity was quiet.
- Private equity-backed Beauty Care platforms re-emerged with the formation of FORMA Brands and investments in Present Life and Beach House Group.
- Continued consolidation and increasing M&A activity in the Beauty & Personal Care contract manufacturing sector.



Steve Davis
Managing Director
sdavis@intrepidib.com



Mike Garcia
Managing Director
mgarcia@intrepidib.com



Lauren Antion
Vice President
lantion@intrepidib.com

Recently Closed Transactions

Edgewell Continues to Expand Men's Portfolio With Cremo Acquisition

Edgewell Personal Care (NYSE:EPC) agreed to acquire men's grooming company Cremo in an all-cash transaction for \$235 million. Founded in 2005, Cremo launched with a shaving cream and has since expanded its product portfolio across the beard, skin, body, and hair care categories. The company positions its products as "barber quality" at accessible price points and sells across the eCommerce, mass, drug, food, and specialty channels including to retailers such as Target, Walmart, Walgreens, Rite-Aid, and Amazon. The transaction follows Edgewell's failed attempt to acquire Harry's for \$1.37 billion in February 2020 (see [Q1'20 Intrepid Beauty Care M&A Report](#)). The Cremo brand complements Edgewell's previous acquisitions of men's skin care brands Jack Black and Bulldog and expands the acquirer's portfolio of shaving assets which includes Schick and Wilkinson Sword shaving products and razors and Edge and Skintimate shave preparations. The transaction is expected to close by the end of Q1'21.



The Hut Group Acquires Perricone MD

Shortly following its initial public offering in September 2020, The Hut Group (LSE:THG) acquired Perricone MD from Lion Capital in an all-cash transaction for \$60 million, implying a 1x multiple of revenue. Founded in 1997, Perricone MD is a science-backed, anti-aging skin care brand addressing key skin care concerns such as elasticity and firmness, fine lines and wrinkles, acne, dullness, and enlarged pores. The brand is sold through prestige retailers including Sephora, Ulta, and Nordstrom as well as online through Look Fantastic, Dermstore, Amazon, and the company Website. The Hut Group continues to focus on acquiring beauty care brands that they can leverage through their online infrastructure. Perricone MD will join The Hut Group's portfolio of beauty and personal care brands including Christophe Robin, Illamasqua, ESPA, Mio Skincare, and Eyeko. Following the transaction, The Hut Group is expected to integrate Perricone MD onto its THG Ingenuity technology platform providing a host of direct-to-consumer, marketing, fulfillment, product development, and manufacturing benefits and services. Lion Capital previously acquired Perricone MD from TSG Consumer Partners in 2014.



FORMA Brands Launches Platform Strategy and Acquires Playa Beauty

Morphe Holdings, majority owned by General Atlantic, has been renamed FORMA Brands and repositioned as a multi-brand beauty platform focused on serving Millennials and Gen Z consumers across the color cosmetics, skin care, body care, hair care, and health and wellness sectors. FORMA Brands seeks to incubate, accelerate, and curate next-generation beauty brands leveraging its operations platform and distribution capabilities. As part of its accelerator strategy, FORMA Brands recently entered the hair care sector with the acquisition of clean, indie hair care brand, Playa Beauty. As part of its incubator strategy, FORMA launched Morphe 2, a sub-brand designed to target Gen Z teens looking for lighter makeup application and multipurpose products, and Such Good Everything, a provider of vegan gummy vitamin supplements for hair, skin, digestion, and sleep health. FORMA plans to introduce two additional brands by the end of 2020, including its first skin care and body care lines. In 2019, General Atlantic acquired a 60% interest in Morphe at a reported valuation of \$2.2 billion from Summit Partners which remains a shareholder in the business.



Henkel Acquires Majority Stake in Invincible Brands

Henkel announced an agreement with Invincible Brands to acquire a 75% stake in a business comprising three direct-to-consumer beauty brands. Founded in 2015, Invincible Brands is a brand platform focused on creating and curating direct-to-consumer health, beauty, and fitness brands. The three acquired beauty brands include skin, body, and hair care brand HelloBody; hair care brand Banana Beauty; and cosmetics brand Mermaid+Me. The three brands sell primarily in Europe, are positioned as premium, clean beauty brands, and generated combined sales of £100 million for the last-twelve-months ended June 2020. The acquisition will expand Henkel's portfolio of premium beauty brands and provide the acquirer enhanced direct-to-consumer and digital marketing capabilities. The founders, along with private equity group Capital D, will retain a 25% interest in the business.



Recently Closed Transactions (cont.)

The Craftory Acquires Majority of Present Life

The Craftory, a London-based venture capital firm focused on cause-based consumer brands, completed a \$20 million majority investment in science-backed beauty and wellness company, Present Life. Founded in 2020 by former Coty Chief Executive Officer Camillo Pane, Present Life is focused on offering clean, sustainable, vegan, cruelty-free, and plant-based beauty and wellness brands. Its brand portfolio includes internally developed brands Healist Naturals and LOUM as well as recently acquired One Ocean Beauty. Healist Naturals sells CBD topical and ingestible products through its own Website with an expected launch into brick-and-mortar retailers in 2021. LOUM sells skin care products for combatting signs of stress through its Website. Founded in 2018, One Ocean Beauty sells skin care products formulated with marine ingredients through its Website as well as select third-party online retailers including Net-a-Porter, Neiman Marcus, Cult Beauty, Niche Beauty, and Olivela. Present Life plans to use the invested capital from The Craftory for product development, customer acquisition, and portfolio development.

PRESENT LIFE



Beach House Raises Investment Capital from Monogram Capital Partners

Monogram Capital Partners made a strategic growth capital investment in Beach House Group, a leading beauty and lifestyle-focused brand incubator. Beach House Group is focused on building disruptive brands primarily in the beauty and personal care industry often alongside and in collaboration with influencers. Current brands include Florence by Mills, a cosmetics line with Millie Bobby Brown; MOON, an oral care brand with Kendall Jenner; Pattern, a hair care line with Tracee Ellis Ross; Marlowe, a men's grooming brand; BÉIS, a luggage and travel brand with Shay Mitchell; and cleen, a clean skin care line. According to WWD, the company generates annual revenue of over \$100 million. The strategic investment, which also included an investment from The Najafi Companies, will provide for accelerated growth of the group's existing brands as well as the development of new brands. The investment in Beach House marks Monogram Capital Partners' third beauty and personal care investment.

BEACH
HOUSE
GROUP



Impala Acquires Alès Groupe

The assets of Alès Groupe have been sold to Impala SAS for £13.5 million as part of the sale process resolved by the court administration proceedings by the Paris Commercial Court. Alès Groupe entered administration proceedings in July due to severe liquidity issues exacerbated by the coronavirus pandemic. Founded in 1969, Alès Groupe consists of a portfolio of prestige skin care, hair care, fragrance, and professional color businesses under the brands Lierac, Phyto, and Jowae. The company generated sales of £209 million in 2019. Impala SAS, the French diversified conglomerate with interests in energy, manufacturing, and asset management, has more recently focused on the Beauty Care sector with its recent acquisition of the Roger & Gallet business from L'Oréal earlier this year (see [Q1'20 Intrepid Beauty Care M&A Report](#)). As part of the transaction, the Alès hairdressing business unit will be spun out and taken over by the group's management team.

ALÈS GROUPE



Increasing M&A Activity in Beauty Care Contract Manufacturing

The last quarter witnessed continued consolidation and increasing M&A activity in the Beauty and Personal Care contract manufacturing sector. PLZ Aeroscience, a manufacturer of specialty aerosol and liquid products backed by Pritzker Private Capital, acquired Mansfield-King, a contract manufacturer of personal care products for the professional hair care, multi-cultural and textured hair care, and men's grooming segments. Traub Capital acquired MANA Products, a developer and contract manufacturer specializing in branded and private label prestige beauty and skin care products. Voyant Beauty, a portfolio company of Wind Point Partners and specialized full-service beauty and personal care contract manufacturer, acquired the personal care business of KIK Custom Products. CORE Industrial Partners acquired beauty care contract manufacturer Arizona Natural Resources, marking the private equity group's first acquisition in what it plans to be a North American beauty manufacturing platform.



MANA



Industry News

The Hut Group Completes \$7 Billion IPO

The Hut Group completed a \$7 billion initial public offering (IPO), the largest IPO on the London Stock Exchange since 2013. Founded in 2004, The Hut Group is one of the largest online retailers of premium beauty brands in Europe with more than 50% of sales coming from owned brands. In addition, the company provides website operations, international warehousing and fulfillment, international payment processing, creative content services, and other online management services for an increasing number of third-party brands and retailers. The IPO followed strong financial results for The Hut Group in 2019 with revenues growing 24.5% to \$1.4 billion and EBITDA of \$145 million. The company also fared well amidst the pandemic, with revenues through the first six months of 2020 increasing by 35.8% to \$870 million. The Hut Group raised \$2.5 billion in the IPO, representing approximately 35% of the company. The company netted \$1.2 billion which will be used to pay down existing debt with another \$1.2 billion going to existing shareholders, including KKR which sold its stake in the business.

THEHUTGROUP*

Chinese Direct-to-Consumer Brand Perfect Diary Closed Funding at a \$4 Billion Valuation

Perfect Diary, the Chinese direct-to-consumer beauty brand, is again making headlines with a new funding round that puts the company's valuation at a reported \$4 billion. This follows Perfect Diary's \$100 million raise in April 2020 that valued the company at \$2 billion (as reported in the [Q2'20 Intrepid Beauty Care M&A Report](#)). Founded in 2017, Perfect Diary has built a strong following amongst Millennials and Gen Z with its accessible price points and influencer-focused digital marketing. Investors in the latest round include Warburg Pincus, Carlyle Group, and Loyal Valley Capital. The company will use the capital to support its aggressive store expansion plans, which include opening 600 stores by 2022. According to industry sources, the company is preparing for an initial public offering.








PERFECT DIARY
BEAUTY

Venture Capital Activity Remains Strong Despite COVID-Impacted Markets

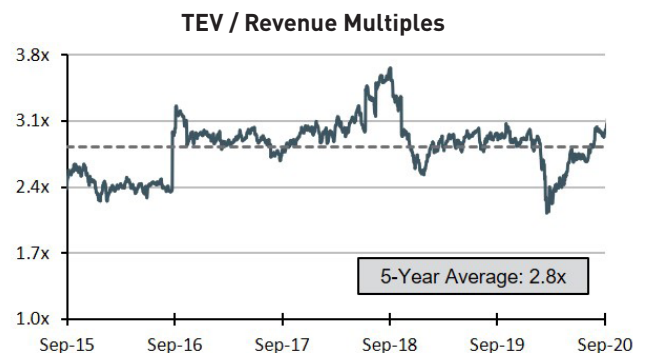
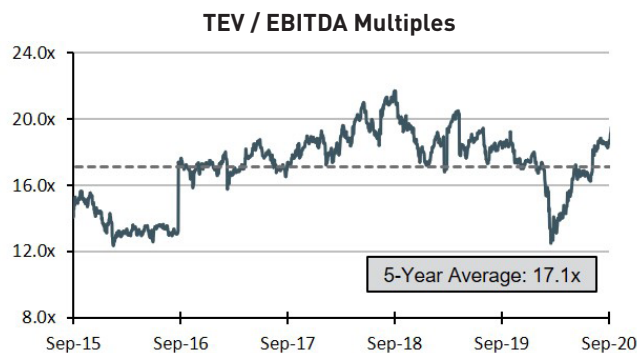
Despite a challenging environment due to the continued effects of COVID-19, numerous beauty and personal care brands successfully raised early-stage growth capital in the latest quarter. Clean cosmetics brand, Saie, received an investment from Gwyneth Paltrow in a seed round that also included Unilever Ventures. Sunday II Sunday, a vegan and cruelty-free textured hair care line, received an investment from Johnson & Johnson Innovation and Ignite Venture Studio. Symbiome, a microbiome-based skin care start-up, raised \$15 million from True Ventures, Bold Capital Partners, Mission Bay Capital, and Gisev Family Office, among other investors. Family care brand, Joone, received £10 million of Series B funding from Vaultier 7, Alven, and Vestiaire Collective. Mira Beauty, a beauty-focused shopping platform and search engine, raised \$9 million from Unilever Ventures and 14W. Canadian oral care brand, Brūush, received a \$6.5 million Series A financing round led by Gravitas Securities. Art of Sport, a professional athlete-backed skin care and grooming brand, received a \$6 million funding round led by CircleUp Growth Partners. Korean beauty platform and skin care brand, Lycl, received a \$5 million Series B funding from Beiersdorf and Lotte Corporation. True Beauty Ventures completed its inaugural investment in Aquis Haircare, a hair care brand known for its hair towels. Indonesian beauty and personal care eCommerce and marketing services platform, Social Bella, received a \$58 million Series E funding from Temasek, Pavilion Capital, and Jungle Ventures.

saie
SUNDAY II SUNDAY
SYMBIOME
JOONE
PARIS
MIRA BEAUTY
BRÜUSH
AOS
ART OF SPORT
LYCL Inc.
AQUIS
sociolla

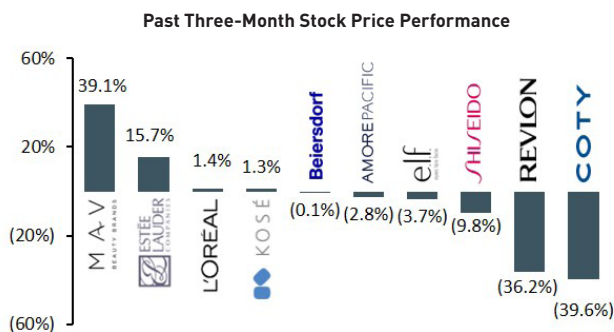
Publicly Traded Companies (USD Millions)

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	\$5,371	\$3,373	\$4,844	73.7%	18.1%	(10.5%)	(4.0%)	1.1x	6.1x
 Beiersdorf	\$24,477	\$25,775	\$8,511	57.5%	16.4%	(3.8%)	1.3%	2.9x	17.5x
 COTY	\$11,362	\$2,066	\$4,718	58.1%	4.5%	(44.9%)	(18.8%)	2.4x	nm
 elf	\$1,028	\$932	\$288	65.1%	13.9%	6.9%	2.8%	3.6x	25.8x
 ESTÉE LAUDER	\$82,612	\$78,833	\$14,294	75.2%	19.0%	(6.2%)	5.3%	5.8x	30.5x
 KOSÉ	\$6,404	\$6,953	\$2,903	72.6%	12.4%	(10.7%)	2.3%	2.2x	17.8x
L'ORÉAL	\$179,395	\$181,923	\$32,965	73.0%	21.7%	(3.4%)	2.8%	5.4x	25.1x
 M A V	\$234	\$92	\$120	50.0%	25.5%	12.6%	45.3%	1.9x	7.6x
REVLON	\$3,731	\$337	\$2,097	55.6%	5.7%	(14.8%)	(8.2%)	1.8x	31.5x
 SHISEIDO	\$25,164	\$22,868	\$9,341	75.6%	10.7%	(13.3%)	0.9%	2.7x	25.1x
Mean			65.6%	14.8%	(8.8%)	3.0%	3.0x	20.8x	
Median			68.9%	15.1%	(8.3%)	1.8%	2.6x	25.1x	

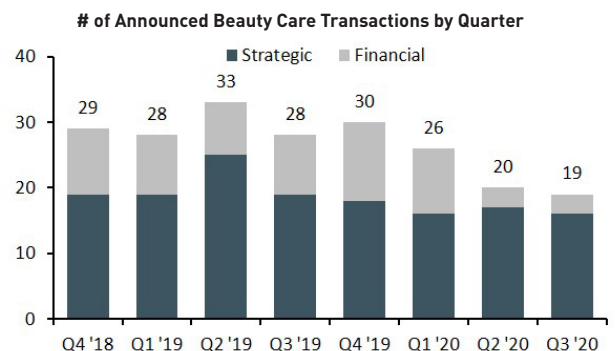
Historical Public Company Trading Multiples



Global Beauty Care Stock Price Performance





Global Beauty Care M&A Transactions



Note: All data sourced from S&P Capital IQ. TEV / EBITDA multiples exclude Coty (NYSE:COTY).

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>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>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>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>DAVEXLABS 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 DAVEXLABS</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>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>

*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



Bryce Cutrino

Associate
bcutrino@intrepidib.com



Matt Dickman

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.