



Beauty Care M&A Report - Q4'20

Beauty Care M&A is Back!

Beauty Care M&A is Back!

As expected, M&A volume in the Beauty Care industry rebounded in Q4'20 with 29 deals, up over 50% from Q3'20 and only one transaction shy of robust and pre-pandemic levels in Q4'19. Deal volume was driven by the relaunches of select M&A processes previously on hold, the launch of new processes from the Fall, and the re-engagement of most strategic and private equity acquirers in the Beauty Care sector.

The quarter was dominated by private equity activity, including deals by The Carlyle Group, Main Post Partners, Blackstone, L Catterton, and Prelude Growth Partners. In addition, the quarter witnessed some interesting strategic combinations, including The Hut Group's acquisition of Dermstore.com and the merger of subscription box leaders IPSY and BoxyCharm. Finally, L'Oréal capped off a busy year in M&A with the acquisition of Takami just before the close of the year.

Intrepid also closed the year with a flurry of Beauty Care M&A deals, having advised on three closed transactions in November and December alone. Intrepid served as the exclusive advisor to leading men's personal care brand Every Man Jack on its majority equity investment by The Carlyle Group; Westhook Capital in its investment in RainShadow Labs, a full-service provider of private label manufacturing services to natural and organic personal care brands; and a yet to be announced equity investment in a fast-growing direct-to-consumer beauty care brand.

Based on strong underlying fundamentals, current deal momentum, the return of acquirer interest, and a building deal backlog, Intrepid expects a continued rebound in deal activity in early 2021 and a strong year for Beauty Care M&A.

Q4'20 Beauty Care M&A highlights include:

- Deal volume was up 53% from Q3'20 and down slightly from pre-pandemic levels in Q4'19.
- Private equity groups led the quarter with deals announced by The Carlyle Group, Main Post Partners, Blackstone, L Catterton, and Prelude Growth Partners.
- Strategic buyer activity was light but highlighted by prolific Beauty Care acquirers L'Oréal and The Hut Group.
- Intrepid advised on three successful Beauty Care M&A deals in November and December alone.



Steve Davis
Managing Director
sdavis@intrepidib.com



Mike Garcia
Managing Director
mgarcia@intrepidib.com



Lauren Antion
Vice President
lantion@intrepidib.com

Recently Closed Transactions

Carlyle Acquires Majority Stake in Leading Men's Personal Care Brand Every Man Jack

The Carlyle Group made a majority investment in Every Man Jack. Founded in 2007 by Ritch Viola, Every Man Jack is one of the largest independent personal care and grooming brands formulated exclusively for men. Focused on naturally derived and plant-based ingredients, Every Man Jack offers affordable and accessible clean personal care and grooming alternatives across the body, hair, deodorant, beard, shave, and skin care categories, all without compromising on performance. Every Man Jack was a first mover in the natural category and today sells online and across major retail partners in the mass, natural, grocery, and drug channels in the U.S. and Canada. The Carlyle Group's investment will help Every Man Jack accelerate its mission to deliver innovative, naturally derived personal care products to an increasing number of consumers and retailers globally. **Intrepid served as the exclusive advisor to Every Man Jack on the transaction.**



THE CARLYLE GROUP

L'Oréal To Acquire Japanese Skin Care Brand Takami

L'Oréal entered into an agreement to acquire Japanese premium skin care brand, Takami. Founded in 1999 by dermatologist Dr. Hiroshi Takami, the company provides specialty skin care products and is best known for its skin peel serum. The Takami brand has achieved strong popularity in Asia and sells primarily online and through subscription box services, and as well as through selective specialty distribution. The company generated approximately £50 million of revenue in 2019. As part of the transaction, L'Oréal signed a long-term brand licensing agreement with Dr. Takami and a collaboration contract with his clinics. The Takami transaction caps off a busy year for L'Oréal on the M&A front, with the announcement of the Thayers Natural Remedies deal, the acquisitions of Replika Software and the Mugler and Azzaro brands, and the divestment of the Roger & Gallet fragrance business.



TAKAMI

L'ORÉAL

Main Post Completes Equity Investment in Duke Cannon

Main Post Partners made an equity investment in Duke Cannon, a fast-growing men's grooming brand. Founded in 2011 and rooted in military history, Duke Cannon sells a full line of men's grooming products across the soap, deodorant, shave, beard, and cologne categories. The company started as a direct-to-consumer brand; expanded into specialty retailers such as Duluth Trading, Ace Hardware, and Tractor Supply; and has since expanded into more traditional food, drug, and mass retailers. Main Post Partners partnered with the two founders and current CEO with plans to help drive growth within existing distribution channels and strengthen the company's marketing and branding efforts. The investment further expands Main Post's beauty and personal care portfolio, which includes Dr. Dennis Gross Skincare, Sugared + Bronzed, Not Your Mother's, and Milk Makeup.



MAIN POST
PARTNERS

Forma Brands Continues Expansion Strategy With Acquisition of Lipstick Queen

Following the acquisition of hair care brand Playa Beauty earlier this year, Forma Brands acquired Lipstick Queen from Manzanita Capital's Space Brands. Founded in 2006 by Poppy King, Lipstick Queen sells high quality, statement lipstick primarily through specialty beauty retailers in the U.S., U.K., and Australia. Manzanita Capital previously acquired Lipstick Queen from Poppy King in 2011. As part of its recently announced platform shift, Forma Brands (previously Morphe) plans to incubate and acquire brands and operate the back-end infrastructure for select third-party brands. The Forma Brands portfolio currently includes Morphe, Morphe 2, Such Good Everything, recently acquired Playa Beauty and Lipstick Queen, and recently launched Bad Habit, a clean, vegan skin care brand targeting Gen Z and Millennial consumers with stress-induced skin blemishes.



FORMA

Recently Closed Transactions (cont.)

Function of Beauty Raises \$150 Million from L Catterton

Function of Beauty received a \$150 million Series B strategic minority investment from L Catterton. Founded at the forefront of personalized beauty, Function of Beauty launched customized hair care solutions in 2015 and has since expanded its product portfolio to include customizable body care and skin care products in 2020. The investment will support continued international expansion, accelerate product development in recently launched categories, and strengthen its customized, vertically integrated manufacturing capabilities. According to industry sources, Function of Beauty generates approximately \$100 million in revenue. Function of Beauty previously raised a \$9.5 million Series A round in 2017 led by GGV Capital. L Catterton is an active beauty care private equity group with investments in ETVOS, Cover FX, Intercos, Il Makiage, TULA Skincare, Kopari, Nutrafol, and The Honest Company.

function — of beauty

L CATTERTON

HydraFacial to Merge with Vesper Healthcare Acquisition SPAC in a \$1.1 Billion Deal

HydraFacial Co. has agreed to merge with special purpose acquisition company (SPAC), Vesper Healthcare Acquisition Corp., in a \$1.1 billion deal, after which HydraFacial will become a public company listed on the NASDAQ exchange. The “blank-check” company, backed by former Allergan CEO Brent Saunders, raised \$460 million earlier this year with plans to make an acquisition in the healthcare sector. HydraFacial is a leading provider of non-invasive equipment, serums, and related consumables used to cleanse, extract, and hydrate the skin in aesthetic treatments. The company sells across a growing distribution network of dermatologists, plastic surgeons, medical spas, and specialty retailers. The company generated \$115 million of revenue in 2020 with plans to reach \$180 million in 2021. The transaction is structured as \$975 million payable at close, with an additional \$75 million contingent on the completion of certain identified acquisitions. Private equity firms Linden Capital Partners and DW Healthcare Partners acquired HydraFacial in 2016 and will retain an equity stake in the combined company. HydraFacial will continue to be led by Chief Executive Officer, Clint Carnell, and senior management.

hydradacial

vesper

Blackstone Makes Majority Investment in ZO Skin Health

Blackstone made a majority investment ZO Skin Health, a solutions-focused, professional skin care brand. Founded by dermatologist Dr. Zein Obagi in 2007, the company's portfolio consists of a comprehensive line of science-backed, high-quality skin care products sold through physicians and skin care professionals globally. Blackstone completed the investment through its Tactical Opportunities arm, which seeks to make opportunistic investments across asset classes and industries. According to industry sources, ZO Skin Health will generate approximately \$140 million of revenue in 2020.

ZO[®] SKIN HEALTH

Blackstone

dpHUE Receives Investment from Prelude Growth Partners

Prelude Growth Partners made an investment in fast-growing at-home hair color brand, dpHUE. Founded in 2011, dpHUE launched with a portfolio of root touch-up products and has since expanded to include a broad portfolio of premium, at-home hair color solutions for maintaining and enhancing hair color between salon visits. The company distributes through online channels, including Amazon and its company Website as well as through select prestige retailers, including Sephora and Ulta. Prelude Growth Partners is an active investor in the beauty care sector with current investments in Sol de Janeiro, Summer Fridays, and Westman Atelier. According to industry sources, dpHUE will generate approximately \$25 million of retail sales in 2020.

dpHUE

PRELUDE GROWTH PARTNERS

Recently Closed Transactions (cont.)

The Hut Group Acquires Skin Care Retailer Dermstore.com

The Hut Group agreed to acquire specialty online retailer Dermstore.com for \$350 million. Founded in 1999, Dermstore.com is the largest online U.S. retailer focused exclusively on prestige skin care and specialty beauty brands. Launched as a platform to sell professional-grade skin care products to end consumers, the company expanded to include hair care and cosmetics in 2008. The company was later acquired by Target in 2013. With the acquisition, Dermstore.com will join The Hut Group's portfolio of multi-brand beauty care online retailers, including Lookfantastic.com and Glossybox.com, in addition to the strategic acquirer's broad and growing beauty brand portfolio, including Perricone MD, Christophe Robin, ESPA, Illamasqua, Eyeko, and Mio Skincare. The Hut Group stated that Dermstore.com will add \$180 million in revenue to the remaining 11 months of its fiscal year, implying an approximate 1.8x revenue multiple. Since its initial public offering in September 2020, The Hut Group has announced two beauty care acquisitions.



THG

IPSY Acquires BoxyCharm Forming \$1 Billion Beauty Subscription Box Leader

IPSY agreed to acquire beauty subscription competitor BoxyCharm, which combined will operate under new parent BFA (Beauty For All) Industries and will generate revenues of over \$1 billion. Founded in 2011, BoxyCharm is a monthly subscription service offering customers five full-size, brand name beauty products for \$25 per month. IPSY is a monthly subscription service offering five sample-size beauty products for \$12 per month. BoxyCharm has been backed by private equity group KarpReilley since 2016, while TPG has backed IPSY since 2015. According to industry sources, the transaction values BoxyCharm at \$500 million. IPSY and BoxyCharm, as well as IPSY's brand incubator Madeby Collective, will operate separately under the BFA Industries platform. BoxyCharm founder Joe Martin will join IPSY co-founders Marcelo Camberos and Jennifer Goldfarb in leading the new company.



IPSY

HatchBeauty Brands Completes Acquisition of Duncan Cosmetics

Beauty and wellness incubator HatchBeauty Brands acquired Duncan Cosmetics, the beauty portfolio of Duncan Enterprises. Founded in 1946, Duncan Cosmetics offers affordable color cosmetics products for Gen X, Millennial, and Gen Z consumers. Its brand portfolio includes Tattoo Junkie, Lique, Remi Rose, and BE Beauty Essentials and sells through several retailers across the mass and specialty channels, including Target, Kohl's, Urban Outfitters, and Dollar Tree. The transaction will complement HatchBeauty's existing brand portfolio, including NatureWell, Found, Orlando Pita Play, and Baby Phat Beauty. According to industry sources, Duncan Cosmetics expects to generate more than \$10 million of revenue in 2021. HatchBeauty partnered with consumer-focused private equity group Lion Capital in 2019.



HATCH
BEAUTY
BRANDS

Industry News

Procter & Gamble and Billie Terminate Merger Discussions

Procter & Gamble (P&G) and Billie Inc. terminated their planned merger following an administrative complaint and suit in federal court by The Federal Trade Commission (FTC) to block the deal. Launched less than three years ago, Billie is a fast-growing provider of premium, high-performance, and affordable women's grooming products sold exclusively through its company Website. The suit alleges that the acquisition, which was announced in January 2020 ([see Q1'20 Intrepid Beauty Care M&A Report](#)), would reduce competition and increase prices in the women's wet shave market. Billie's marketing campaigns had centered around eliminating the "pink tax" in reference to the often higher prices women pay compared to similar products for men. P&G is one of the women's grooming market leaders with brands including Venus, Braun, and Joy. The news follows a similar suit launched by the FTC in February 2020 to block Edgewell Personal Care's attempted acquisition of Harry's, which deal was also later terminated.



Industry News (cont.)

Partnerships Form In Ever-Changing Retail Beauty Landscape

Sephora and Ulta Beauty have each announced retail partnerships to expand consumer reach of their prestige and specialty beauty care brands and retail footprint. Sephora announced a partnership with Kohl's which includes plans to open 850 in-store units over the next three years, providing Sephora an opportunity to strengthen its visibility in off-mall locations. Sephora will simultaneously phase out its longstanding partnership with struggling retailer J.C. Penney. Ulta meanwhile announced a partnership with Target comprised of an initial rollout of 100 in-store units in 2021 with more to follow in subsequent years. The Target partnership allows Ulta to reach a larger audience, and in particular a younger consumer demographic, with a more convenient shopping experience. Both partnerships highlight the continued convergence of distribution channels and need for prestige retailers to adopt new strategies to target beauty consumers, particularly as sales of such previously exclusive brands increasingly shift to direct-to-consumer and Amazon channels.

SEPHORA

KOHL'S

ULTA
BEAUTY

TARGET

Strategic Acquirers Divest Select Non-Core Personal Care Brands

French pharmaceutical and dermocosmetic group, Pierre Fabre, divested the Galénic skin care brand to Chinese beauty company, Yatsen, and the Elancyl body care brand to Spanish pharmaceutical company, Cantabria Labs. In the case of Galénic, Pierre Fabre will maintain a 10% ownership stake in the brand and will remain involved in manufacturing and product innovation activities. The divestitures are in line with Pierre Fabre's stated focus on dermatologist recommended and dermo-cosmetics skin care brands. Reckitt Benckiser has reportedly hired advisors and launched a sale process to divest non-core personal care brands, including Veet, Clearasil, E45, and Scholl. The sale of such brands reportedly could garner over \$1 billion, according to industry sources.

Pierre Fabre

Reckitt
Benckiser

Women's Wear Daily and CEW Announce 2020 Beauty Awards

Women's Wear Daily's Beauty Inc. hosted its annual beauty awards publishing its list of leading beauty care brands across 10 categories. Several notable awards included Rare Beauty as Start-up of the Year; Byredo Makeup as Launch of the Year; Youth to the People as Breakthrough Brand of the Year; and the Charlotte Tilbury sale to Puig as Transformational Deal of the Year. The CEW Beauty Awards, an annual contest for the most innovative beauty products, announced its 2020 winners across 48 categories. While multi-national industry players, including L'Oréal and Shiseido received ample recognition, indie beauty brands also took home some of the awards, including notable appearances from NuFACE, Summer Fridays, Briogeo, Supergoop!, Kopari, and Huda Beauty.

BEAUTYINC

CEW COSMETIC
EXECUTIVE
WOMEN

Beauty Care Continues to Attract Celebrities & Venture Capital

Beauty care continues to attract venture capital investment alongside increasing interest from celebrity investors. Khloé Kardashian invested in Dose & Co., a New Zealand-based premium collagen brand, and joined the company as a spokesperson and partner to focus on product development, content creation, and marketing efforts. Sexual wellness brand Maude received a \$2.2 million seed round investment led by Cassius with angel investments from individuals including Dakota Johnson, who will join the company as co-creative director and focus on sustainability initiatives. Brūush, a subscription-based electric toothbrush brand, received an investment from Kevin Hart, who will collaborate with the company on future advertising campaigns, content, and social media. Squire, a barbershop operating software provider, received a \$59 million Series C investment led by Iconiq Capital with participation from celebrities Stephen Curry, Trevor Noah, Quincy Jones, Tooey Courtemanche, Ara Mahdessian, Vahe Kuzoyan, and Pharrell Williams.








DOSE & CO.

maude

BRUSH

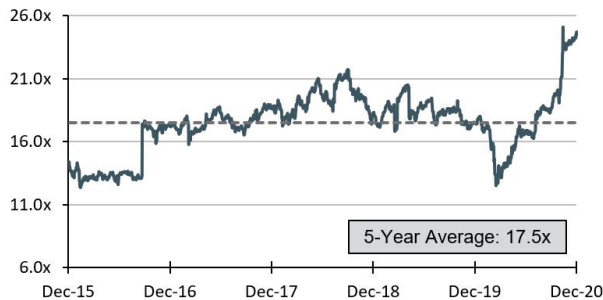
S

Publicly Traded Companies (USD Millions)

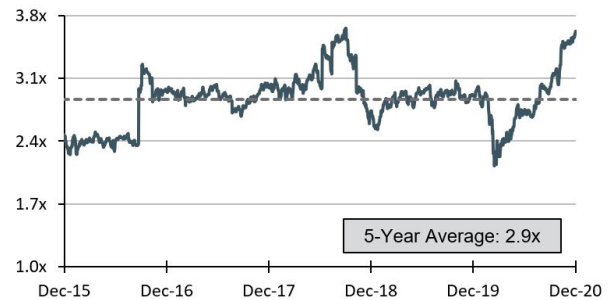
Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year	Revenue	EBITDA
AMOREPACIFIC	\$6,087	\$4,105	\$4,760	73.2%	19.5%	(17.7%)	(5.0%)	1.3x	6.6x
 Beiersdorf	\$24,814	\$26,168	\$8,875	57.5%	16.4%	(5.1%)	1.0%	2.8x	17.0x
 COTY	\$14,840	\$5,377	\$4,431	57.6%	5.3%	(19.5%)	(21.5%)	3.3x	nm
 elf	\$1,400	\$1,286	\$292	65.4%	12.7%	7.8%	2.7%	4.8x	37.7x
 ESTÉE LAUDER COMPANIES	\$100,099	\$96,256	\$13,961	75.2%	18.9%	(11.9%)	3.0%	7.2x	38.0x
 KOSÉ	\$9,120	\$9,729	\$2,783	71.7%	9.1%	(14.0%)	(1.2%)	3.3x	36.1x
L'ORÉAL	\$209,925	\$212,562	\$34,374	73.0%	21.7%	(5.8%)	2.6%	6.1x	28.1x
 M A V BEAUTY BRANDS	\$281	\$142	\$124	48.1%	23.4%	13.9%	42.9%	2.3x	9.7x
REVLON	\$4,017	\$634	\$1,977	54.6%	4.6%	(18.3%)	(9.8%)	2.0x	nm
 SHISEIDO	\$29,913	\$27,621	\$9,095	74.1%	9.5%	(17.1%)	(2.3%)	3.3x	34.8x
Mean			65.0%	14.1%	(8.8%)	1.2%	3.6x	28.0x	
Median			68.5%	14.6%	(13.0%)	(0.1%)	3.3x	34.8x	

Historical Public Company Trading Multiples

TEV / EBITDA Multiples

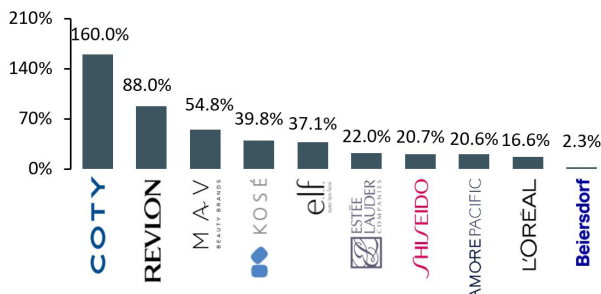


TEV / Revenue Multiples



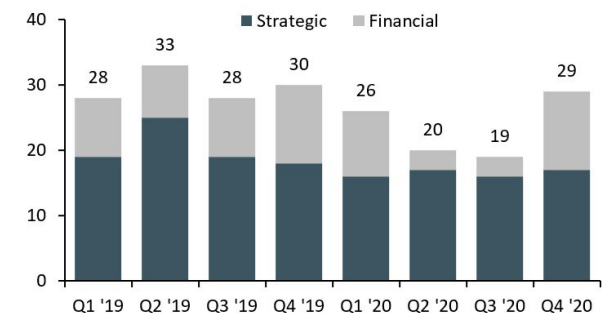
Global Beauty Care Stock Price Performance

Past Three-Month Stock Price Performance







Global Beauty Care M&A Transactions

of Announced Beauty Care Transactions by Quarter



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

Select Transactions

 <p>has received a majority equity investment from</p>  <p>Advisor to Every Man Jack</p>	 <p>has received an equity investment from</p>  <p>Advisor to Lilly Lashes</p>	<p>JD Beauty Group</p>    <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>and merged with portfolio company</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>a portfolio company of</p>  <p>has been acquired by</p> <p>L'ORÉAL</p> <p>Advisor to PUREOLOGY*</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>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Continental Fragrances</p>	<p>DAVE LABS LLC dba</p> <p>LANZA® a portfolio company of</p>  <p>has received a growth equity investment from</p>  <p>in partnership with Chief Executive Officer David Berglass</p> <p>Advisor to DAVE LABS</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>a portfolio company of</p>  <p>has sold the brand</p>  <p>to</p>  <p>Advisor to Enaltus</p>	<p>JD Beauty Group</p>  <p>owner of</p>  <p>has obtained a majority investment from</p>  <p>Advisor to JD Beauty Group</p>	<p>LORAC</p> <p>has received an investment from</p>  <p>in partnership with management</p> <p>Advisor to LORAC Cosmetics</p>	<p>Berlin Industries, Inc. dba</p>  <p>has been acquired by</p>  <p>KOBAYASHI</p> <p>Advisor to Berlin Industries</p>
 <p>has been acquired by</p> <p>Markham Prestige Group</p> <p>owners of</p>  <p>Advisor to Alterna*</p>	<p>JOICO</p> <p>and its subsidiaries</p> <p>has been acquired by</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>	<p>AWARE™ PRODUCTS LA</p> <p>has been acquired by VPI Holding Company, LLC the parent company of</p> <p>VEE+PAK</p> <p>and a portfolio company of</p>  <p>Advisor to Aware Products</p>	<p>rainshadowlabs innovative natural science est. 1983</p> <p>has been acquired by</p> <p>WESTHOOK</p> <p>Advisor to Westhook Capital</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.