



Beauty Care M&A Report - Q1'22

Beauty Care M&A Falls Back to Reality

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Beauty Care M&A came back down to earth in Q1'22 with 29 transactions, following the unprecedented and unsustainable volume levels seen in Q4'21. Despite the drop from Q4'21, M&A activity in Q1'22 kept pace with the same period in 2021 and trended above the average of the two years leading into the outsized Q4'21.

Deal volume in Q1'22 was dominated by strategic buyers including Henkel, PZ Cussons, Procter & Gamble, and L'Occitane. The quarter witnessed the third beauty care deal by Procter & Gamble in the last two quarters and the second by L'Occitane in less than five months. Private equity also continued to invest in the Beauty Care sector with minority deals announced by Brentwood Associates and Aria Growth. In addition, Beauty Care contract manufacturing continued to experience significant M&A activity.

Intrepid anticipates Beauty Care M&A deal volume will remain strong by historical standards in 2022. While volatility in the stock market and increasing recession fears may result in some wait-and-see attitudes among sellers, Intrepid believes strong Beauty Care M&A fundamentals, simple supply-demand dynamics, and a backlog of deals as seen in our own pipeline will continue to support M&A volume into the next couple of quarters.

Q1'22 Beauty Care M&A highlights include:


- Deal volume was flat with Q1'21 and down over 35% from unprecedented Q4'21 levels.
- M&A volume was bolstered by robust activity from Procter & Gamble (which acquired Tula on the heels of the OUAI Haircare and Farmacy Beauty deals last quarter) and L'Occitane (which acquired Grown Alchemist having recently announced the Sol de Janeiro deal in Q4'21).
- The quarter also witnessed the return of key strategic acquirers to the M&A market with Henkel making its first beauty care acquisition since 2020 and PZ Cussons announcing its first beauty brand acquisition in over a decade.
- Private equity interest remained high in the beauty care sector with minority investments in Pacifica Beauty by Brentwood Associates and The Inkey List by Aria Growth, along with a majority investment in Ilia Beauty by the Courtin-Clarins investment fund Famille C.
- Contract manufacturing remained an attractive sector with multiple deals led by strategic acquirers and private equity platforms.



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Recently Closed Transactions

Procter & Gamble Acquires Tula Skincare

Procter & Gamble expanded its presence in the prestige beauty sector with the acquisition of Tula Skincare. Founded in 2014, Tula has developed a line of highly efficacious, science-based skin care products formulated with superfoods and probiotic extracts. The company sells its products through the direct-to-consumer, specialty beauty, and prestige distribution channels. According to industry sources, Tula expected to reach \$150 million in sales in 2021 and is one of the fastest-growing prestige brands at Ulta Beauty. Tula previously partnered with L Catterton in 2017. Tula represents Procter & Gamble's third prestige beauty transaction in less than two months following the Ouai and Farmacy Beauty deals in Q4'21 and allows the acquirer to further deepen its premium skin care portfolio.



Courtin-Clarins Family Acquires Ilia Beauty

The Courtin-Clarins family, owners of the Clarins brand, has completed a majority investment, via its private investment fund Famille C, in Ilia Beauty. Founded in 2011 by siblings Sasha and Zachary Plavsic, Ilia is a prestige line of clean beauty products focused on color performance, organic ingredients, and sustainability. The company distributes its products direct-to-consumer as well as through brick-and-mortar retail partners, including Sephora, Credo, Space NK, and Mecca. According to industry sources, Ilia recorded \$100 million of revenue in 2021, tripling the size of the brand since 2019. The acquisition further increases Clarins' presence in the clean beauty sector and adds to its position in the U.S. Ilia previously raised multiple rounds of capital to fuel growth, including prior investments from Sandbridge Capital and Silas Capital.



L'Occitane Acquires Australian Beauty Brand Grown Alchemist

L'Occitane Group acquired majority control of Grown Alchemist, a Melbourne-based cosmeceutical clean skin care brand. Founded in 2008 by brothers Jeremy and Keston Muijs, Grown Alchemist combines biology and cosmetic chemistry to create anti-aging and botanical beauty products focused on skin health. The company's range of skin care, body care, and hair care products are distributed direct-to-consumer and through select retailers, including Ulta Beauty. The transaction follows L'Occitane's acquisition of Sol de Janeiro in Q4'21 and supports its goal to become a multi-branded, global beauty conglomerate. The acquisition will enable Grown Alchemist to expand its Millennial and Gen Z customer profile and broaden its international reach. Both Muijs brothers will continue to hold equity in Grown Alchemist and remain with the company.



Pacifica Beauty Receives Strategic Investment from Brentwood Associates

Brentwood Associates completed a minority investment in clean beauty brand, Pacifica Beauty. Founded in 1996 by Brook Harvey-Taylor, Pacifica offers a broad portfolio of vegan and cruelty-free makeup, skin care, hair care, and fragrance products with a mission to make clean beauty more accessible to everyone. Pacifica Beauty products are sold direct-to-consumer through its company-owned Website; through specialty beauty retailers including Ulta Beauty; across select food, drug, and mass retailers including Whole Foods and Target; and on Amazon. With the investment, Pacifica plans to increase brand awareness and build-out its omnichannel growth strategy across geographies. Pacifica Beauty previously partnered with Alliance Consumer Growth in 2016. In related news, beauty veteran Nathalie Kristo joined the brand as Chief Executive Officer and Brook Harvey-Taylor will transition into the role of President where she will dedicate more time to the brand mission, product development, and content generation.



Henkel Acquires Shiseido's Hair Professional Business in Asia-Pacific

Henkel agreed to acquire a majority stake in the Asia Pacific Hair Professional business of Shiseido for 12.3 billion yen. The professional hair care business delivers hair care, color, perm, straightening, and styling products exclusively to professional salons in the Asia Pacific region. The segment includes the Sublimic and Primience brands as well as the trademark of Shiseido Professional, which will be maintained by Shiseido and licensed to Henkel. The transaction further increases Henkel's foothold in professional hair care following its acquisitions of DevaCurl in 2019, Nattura Laboratorios and Zotos International in 2017, and Sexy Hair, Alterna, and Kenra in 2014. Furthermore, the acquisition will expand Henkel's presence in Asia, in particular in the brands' core markets of Japan, China, and South Korea. The transaction is also in line with Shiseido's stated desire to exit non-core businesses and focus primarily on prestige skin care, and falls on the heels of its recent divestitures of its personal care business and bareMinerals, BUXOM, and Laura Mercier brands last year. The Asia Pacific Hair Professional business generated over €100 million in sales in 2020, representing approximately a 1.1x revenue multiple. Upon completion of the transaction, Shiseido will retain 20% of the business.



Recently Closed Transactions (cont.)

PZ Cussons Acquires Childs Farm

PZ Cussons acquired U.K.-based baby and child personal care brand, Childs Farm, for £36.8 million. Founded in 2014, Childs Farm provides bath and shower, skin care, and hair care products with a focus on children with sensitive skin. According to the company, the brand is a category leader in the U.K. with 15% share of the baby and child personal care market. The company sells the Childs Farm brand across the drug and mass channels as well as through Amazon and its company-owned Website. The acquisition is highly complementary to PZ Cussons' Baby and Hygiene business and will enable Childs Farm to leverage the acquirer's brand development expertise and expand into new markets. As part of the transaction, PZ Cussons will own 92% in Childs Farm at close with the option to acquire the remaining stake by May 2025.

Childs Farm®

PZ
Cussons

Aria Growth Makes Minority Investment in The Inkey List

Aria Growth completed a minority investment in ingredient-first, affordable beauty brand, The Inkey List. Founded in 2018, The Inkey List provides high-quality, affordable skin, hair, and scalp care formulations supported by ingredient education and transparency. The U.K.-based brand has built a powerful direct-to-consumer platform as well as expanding distribution with Sephora, Boots, and Cult Beauty. According to industry sources, the brand has grown approximately 600% in the last three years driven by its global partnership with Sephora across more than 30 countries, with expected gross sales of \$100 million in 2022. The investment will fund increasing brand awareness, further development of its customer service platform, and global expansion into new markets. The Inkey List previously sold a minority interest to Unilever Ventures in 2018.

THE INKEY LIST™

 **Aria**

SuperOrdinary Acquires Celebrity Esthetician Brand Joanna Vargas

SuperOrdinary acquired a majority stake in clean, science-driven skin care brand, Joanna Vargas. Founded in 2011 by celebrity esthetician and serum specialist Joanna Vargas, the company sells its premium skin care products through company-owned spa locations, direct-to-consumer, Amazon, and select prestige and specialty retail partners. This investment and partnership will focus on bolstering the brand foundation in North America and expanding geographic reach into Asia. The investment results in a 51% ownership for SuperOrdinary, increasing a previous minority investment made in 2021. The Joanna Vargas spa business is not part of the transaction.

**JOANNA
VARGAS**

SUPERORDINARY

Increasing M&A Activity in the Contract Manufacturing Sector

The first quarter of 2022 witnessed continued M&A activity in the beauty and personal care contract manufacturing sector. KKR made a strategic investment in Knowlton Development Corporation, a global provider of formulation, packaging, and manufacturing services for beauty, personal care, and home brands. The investment came as Knowlton Development Corporation announced its acquisition of Aerofil, a value-added provider of liquid and aerosol manufacturing services. Anjac Health & Beauty, which specializes in the formulation and manufacturing of beauty and health products, acquired Apollo Healthcare Corp, a Canadian manufacturer of beauty, personal care, and OTC products, for C\$327 million. Cosmetic Solutions, a manufacturer of private label skin care products, acquired Private Label Select, an organic cosmetics and personal care manufacturer. SV Labs, a contract manufacturer of beauty and personal care products backed by San Francisco Equity Partners, acquired Diversified Manufacturing Corporation. Finally, Italian contract manufacturer Gotha Cosmetics continued its international expansion with the acquisition of Chinese skin care and color cosmetics formulator iColor Group.

kdc/one








APOLLO
HEALTH AND BEAUTY CARE

PLS Private Label Select

DMC
Diversified Manufacturing Corporation

iColor Group

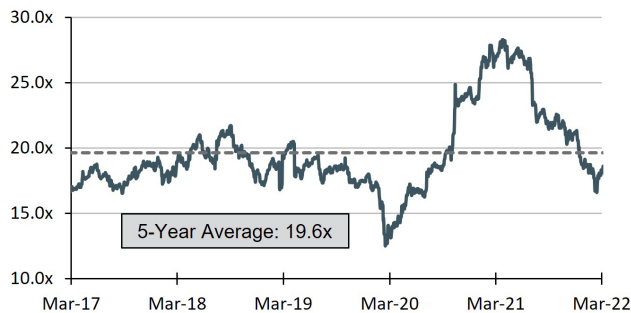
Publicly Traded Companies (USD Millions)

Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Margin	EBITDA Margin	1-year	3-year CAGR	Revenue	EBITDA
AMOREPACIFIC	\$3,621	\$2,503	\$3,640	71.8%	13.7%	3.2%	(4.9%)	1.0x	7.2x
 Beiersdorf	\$19,400	\$20,934	\$7,686	56.8%	16.1%	9.5%	2.6%	2.5x	15.7x
 COTY	\$12,667	\$7,541	\$5,199	63.5%	16.7%	25.9%	(16.2%)	2.4x	14.6x
 elf	\$1,433	\$1,346	\$392	64.2%	13.0%	23.3%	13.6%	3.7x	28.1x
 ESTÉE LAUDER	\$101,900	\$97,672	\$18,112	76.6%	24.7%	23.1%	7.5%	5.6x	22.8x
 KOSÉ	\$4,441	\$5,045	\$2,060	70.5%	11.0%	7.5%	(3.4%)	2.2x	19.6x
L'ORÉAL	\$192,340	\$188,861	\$32,838	73.5%	21.1%	16.6%	7.0%	5.9x	27.8x
 M A V	\$140	\$26	\$100	40.2%	12.2%	(10.1%)	(0.6%)	1.4x	11.4x
OLAPLEX	\$10,712	\$10,141	\$666	79.3%	62.9%	90.1%	nm	16.1x	25.6x
REVLON	\$3,767	\$413	\$2,113	59.6%	11.3%	11.4%	(6.2%)	1.8x	15.7x
 SHISEIDO	\$17,318	\$17,042	\$7,033	73.9%	10.4%	9.3%	(2.5%)	2.5x	23.6x
Mean			66.4%	19.4%	19.1%	(0.3%)	2.9x	18.7x	
Median			70.5%	13.7%	11.4%	(1.5%)	2.5x	19.6x	

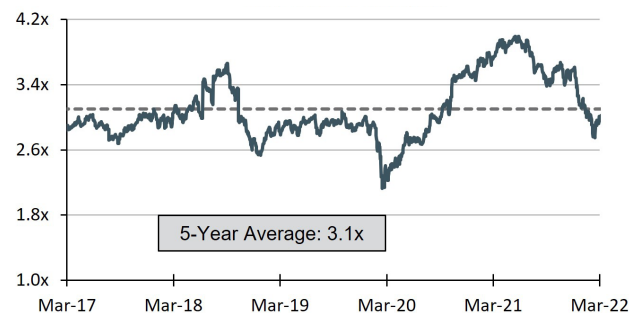
Note: Enterprise Value / LTM Revenue and Enterprise Value / LTM EBITDA means exclude Olaplex [NasdaqGS:OLPX].

Historical Public Company Trading Multiples

TEV / EBITDA Multiples

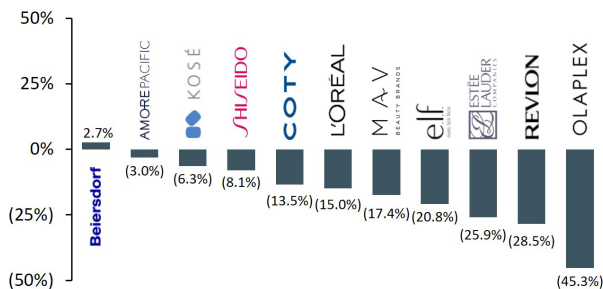


TEV / Revenue Multiples



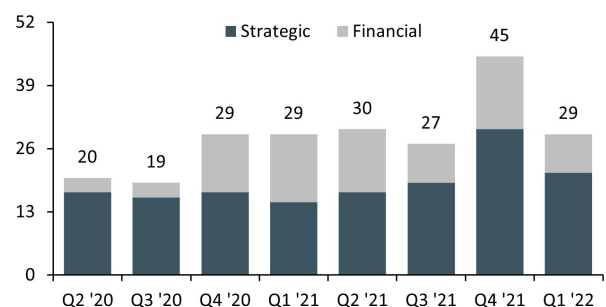
Global Beauty Care Stock Price Performance

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 investment from</p>  <p>(HPH II Investments Master Fund, LP and affiliates)</p> <p>Advisor to Raw Sugar</p>	 <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>Too Faced</p> <p>a portfolio company of</p> <p>WESTON PRESIDIO</p> <p>has sold a majority stake to</p>  <p>in conjunction with Too Faced founders and senior management</p> <p>Advisor to Too Faced Cosmetics</p>	<p>MARC ANTHONY®</p> <p>TRUE PROFESSIONAL</p> <p>has received an investment from</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>OBAGI®</p> <p>has completed a recapitalization and growth financing with</p>  <p>\$150,000,000 Senior Secured Credit Facilities</p> <p>Advisor to Obagi</p>
<p>Apostrophe</p> <p>has been acquired by</p> <p>hims & hers</p> <p>(NYSE:HIMS)</p> <p>Advisor to Apostrophe</p>	<p>DAVEXLABS LLC</p> <p>dba</p> <p>L'ANZA®</p> <p>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 DAVEXLABS</p>	<p>CHATTERS</p> <p>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>ScarAway</p> <p>to</p>  <p>Advisor to Enaltus</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>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>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>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 | Wellness | 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.

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