



Beauty Care M&A Report - Q2'18

The Return of High-Profile Beauty Deals

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The Return of High-Profile Beauty Deals

The Beauty Care M&A market continued to thrive with another 28 transactions in Q2'18, representing the fourth quarter in a row with over 25 transactions, the first time in beauty care M&A history.

Intrepid had reported a “fairly ho-hum start” in Q1'18 but anticipated a strong rebound in higher profile deals in Q2'18—and the M&A markets delivered. Not only was transaction volume strong with a 21.7% increase over Q2 of last year but there were numerous prominent and large transactions from both strategic and private equity acquirers.

Q2'18 Beauty Care M&A highlights include:

- Deal volume increased 21.7% from Q2'17 and was flat with Q1'18.
- L'Oréal completed two transactions in the quarter, and its third of 2018, following a year of limited acquisition activity in 2017.
- TPG made its mark on beauty care in the quarter with two large minority investments in Anastasia Beverly Hills and Rodan+Fields.
- The Hut Group continued as one of the most active acquirers with its purchase of Eyeko.
- Private equity groups remained active with notable deals from Tengram Capital, L Catterton and Gryphon Investors.



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Recently Closed Transactions

TPG Makes Minority Investment in Anastasia Beverly Hills

A little over a month after securing a minority investment in Rodan+Fields, TPG Capital acquired a minority stake in Anastasia Beverly Hills, a Los Angeles-based, prestige makeup and eyebrow brand. Founded in 1997 by Anastasia Soare, the company is a pioneer in the eyebrow category and has since expanded across the eyes, face and lips categories, selling via its own Website and through prestige and specialty retailers such as Macy's, Nordstrom, Sephora and Ulta. Today, the company is one of the largest independent color cosmetics brands in the U.S. and maintains a robust social media presence with more than 17 million Instagram followers. The investment by TPG will allow Anastasia Beverly Hills to accelerate growth particularly in international and eCommerce channels. According to industry sources, Anastasia Beverly Hills was valued at \$3 billion which, based on previously reported financials, would imply a revenue multiple of over 8x and an EBITDA multiple of approximately 15x.



L'Oréal Acquires Pulp Riot

L'Oréal acquired Pulp Riot Hair Color, a professional hair color brand founded by David and Alexis Thurston in 2016. Pulp Riot grew quickly by focusing on vibrant and trendy coloring products and social media. In two years, Pulp Riot cultivated over 675,000 Instagram followers, while reaching more than 30 countries and generating \$11 million in net sales in 2017, with significant growth planned for the current year. Pulp Riot sells primarily through SalonCentric, a L'Oréal-owned distributor. The acquisition will enable Pulp Riot to reach new markets and accelerate new product development. Pulp Riot will join L'Oréal's Professional Products Division but will continue to be led by David Thurston as CEO from its Los Angeles headquarters.



Gryphon Enters Beauty Care Sector With Acquisition of Milani Cosmetics

Gryphon Investors acquired a majority stake in Milani Cosmetics, a prestige color cosmetics company comprising the Milani and Jordana brands. Initially starting as Jordana Cosmetics in 1986, the company acquired Milani and relaunched in 2001. Milani's cosmetic products are focused on the face, eyes and lips, selling in 75 countries and through drug, mass and specialty retail partners including Walmart, Target, Ulta, Walgreens and CVS. Michelle Taylor, a prestige beauty veteran most notably known as former CEO of Kate Somerville, will become interim CEO. Former owners and brother-and-sister duo Ralph Bijou and Laurie Minc will continue to own a significant minority stake in Milani and participate in the business. According to industry sources, the acquisition represents a valuation between \$450 million and \$500 million, with an implied revenue multiple over 4x and EBITDA multiple of approximately 12x. The acquisition marks Gryphon's first investment in the beauty care sector.



L'Oréal Enters K-Beauty Category With Acquisition of Stylenanda

L'Oréal announced the pending acquisition of Nanda Co. Ltd. (Stylenanda). Founded in 2004 by So-Hee Kim, Stylenanda is a South Korean beauty and fashion company anchored by the popular Millennial color cosmetics brand 3CE, which generates more than 70 percent of the total business. The brand operates in South Korea and select overseas Asian markets and sells through multiple channels including eCommerce, specialty retailers, department stores and duty-free. Stylenanda marks L'Oréal's first investment in the K-beauty category and provides L'Oréal increasing exposure to both the Asian beauty markets and the Millennial consumer. Stylenanda generated sales of approximately \$150 million in 2017. With a rumored purchase price of \$350 to \$400 million, the transaction implies a revenue multiple of approximately 2.5x.



TPG Takes Minority Stake in Rodan+Fields

TPG Capital made a minority investment in Rodan+Fields, a direct seller of dermatologist-inspired skin care products. Founded in 2000 by Dr. Katie Rodan and Dr. Kathy Fields, the same dermatologists behind Proactiv, the company currently sells through more than 200,000 independent consultants with an estimated 2 million customers primarily in the U.S., Canada and Australia. The company was originally acquired in 2003 by Estée Lauder, where it sold through high-end department stores. Dr. Rodan and Dr. Fields acquired the company in 2007 and direct sales model utilizing independent consultants. Rodan+Fields reported 2017 net revenue of over \$1.5 billion, a 40% increase over the prior year.



The Hut Group Remains Active With Acquisition of Eyeko

The Hut Group continued its recent acquisition run with the purchase of Eyeko. Founded in 1999 by Max and Nina Leykind, U.K.-based indie cosmetics brand Eyeko is a leader in the eye makeup category, including mascaras, liquid liners, brow gels and other color cosmetics products. The company has built a distribution network across Europe, the United States and Australia selling through select retailers including Sephora, Selfridges, Space NK and Ulta, as well as its company Website and The Hut Group's Lookfantastic eCommerce site. The Hut Group valued Eyeko's product leadership in the eye cosmetics category and strong position in the U.K. The acquisition will allow The Hut Group to leverage Eyeko's specialty product offering across its eCommerce platform and global marketing infrastructure. Following the acquisition of Eyeko, The Hut Group secured a £600 million facility loan which according to the company will be used for strategic initiatives including further acquisitions.



Recently Closed Transactions (cont.)

Tengram Acquires Majority Stake in Lime Crime

Tengram Capital Partners expanded its beauty care holdings with the majority acquisition of Lime Crime. Founded 10 years ago by Doe Deere and Mark Dumbleton, Lime Crime is a cruelty-free and vegan color cosmetics and hair color brand. The company began as a digitally native brand with a strong connection to the Millennial consumer and powerful social following. The company continues to drive sales to its core digital platform Limecrime.com but has also expanded to select online and brick-and-mortar retailers including Urban Outfitters, Bloomingdales, Riley Rose, Ulta.com, Cult Beauty, FeelUnique and Selfridges. According to industry sources, Lime Crime generated revenue of \$30 million in 2017. Along with the acquisition, Stacy Panagakis, former General Manager of Fresh, will join as CEO. Through the acquisition, the company aims to strengthen its core direct-to-consumer platform while also significantly expanding its retail partnerships.



LG Household & Health Care Continues Inroads Into Japan With Acquisition of Avon Japan

LG Household & Healthcare, one of the leading South Korean beauty and personal care companies, acquired Avon Japan for ¥10.5 billion (\$96.5 million) through wholly-owned subsidiary Ginza Stefany. The Tokyo-based Avon Japan was founded 50 years ago and is an offshoot of the American direct sales beauty company. According to Euromonitor International, Avon Japan generates \$230 million in sales, implying a revenue multiple of 0.4x. Avon Japan marks the fourth acquisition in Japan for LG Household & Healthcare. Avon Japan was previously sold to an affiliate of TPG Capital in 2010 and U.S. investment firm Keystone Partners in 2016.



Topix Expands Skincare Portfolio Into Natural With Acquisition of Derma E

Topix Pharmaceuticals acquired natural skincare brand Derma E. Founded in 1984, Derma E is a leading natural, vegan and cruelty-free skincare line sold through the natural grocery channel as well as online and at Ulta. Topix, which is backed by private equity firm New Mountain Capital, is a leading provider of premium, micro-branded and branded skincare products sold primarily through the physician channel. New Mountain Capital invested in Topix in 2016 to help grow the business organically and through acquisitions. The combined business is estimated to generate collective revenue of \$100 million.



Unilever Acquires Majority Interest of Personal Care and Well-Being Business Equilibra

In a continued effort to expand its personal care and natural products focus, Unilever recently acquired 75% of Italian natural personal care and well-being company Equilibra. Equilibra offers natural skin and hair care products and nutritional supplements, all using plant-based ingredients. Unilever has invested heavily in its Personal Care segment over the past several years, including acquisitions of Quala, Carver Korea, Sundial, Schmidt's Naturals and Dollar Shave Club. Unilever now stands as the second largest personal care business worldwide behind L'Oréal. Equilibra will continue to be run as an independent business under the founding Bianco family and led by Marc Bianco as CEO.



The Honest Company Sells Minority Stake to L Catterton for \$200 Million

The Honest Company (Honest Co.), co-founded by actress Jessica Alba, received a \$200 million minority equity investment from L Catterton. Honest Co. was founded as a mission-driven, direct-to-consumer lifestyle company focused on safe and effective products in the baby, personal care and beauty categories. Honest Co. distributes products across North America through its own websites and across over 17,000 retail locations. The investment will bolster the company's operational capabilities, expand its global distribution reach and accelerate its product development efforts on the baby and beauty categories. The company relaunched Honest Beauty in 2018. Prior to this minority investment, Honest Co. had explored both a potential sale and initial public offering. The company also faced ingredient claims issues for its cleaning and sunscreen products around the same time with ultimate settlements in 2017. The minority stake in Honest Co. aligns with L Catterton's consumer-focused investment thesis centered on natural, disruptive companies including TULA and Kopari.



2X Partners Expands Beauty Portfolio With Investments in Surratt and The Seaweed Bath Co.

2x Consumer Products Growth Partners (2x Partners) recently made two investments in the beauty and personal care industry. The Chicago-based private equity firm acquired a majority stake in Surratt Beauty, a luxury color cosmetics brand founded by makeup artist Troy Surratt and his partner Nathaniel Hawkins in 2013. The brand's products, all Japanese-sourced, are sold globally in select beauty retailers including Barneys New York, Liberty of London, MECCA, Space NK and select Sephora and Bluemercury locations. Surratt Beauty also received funding from AHR Growth Partners and Heidi Manheimer, who previously served as CEO of Shiseido Cosmetics America and will now join Surratt Beauty as Executive Chairman. Shortly following the Surratt Beauty announcement, 2x Partners invested in The Seaweed Bath Co., a seaweed-based hair, skin and bath care company. 2x Partners previously invested in a funding round of The Seaweed Bath Co. in 2014.



Industry News

MAV Beauty and Marc Anthony Complete IPO

MAV Beauty Brands closed its initial public offering and secondary offering on the Toronto Stock Exchange (TSX) at \$14 per share and will trade under the symbol MAV. MAV Beauty Brands consists of masstige hair care brands Marc Anthony True Professional and Renpure along with vegan cosmetics brand Cake Beauty. The company sells hair care, body care and cosmetics products in mass, drug, food and specialty retail channels across over 100 major retailers and through over 80,000 doors. The company raised C\$242 million (approximately \$180 million) through both a treasury offering by MAV Beauty Brands and a secondary offering by owners TA Associates, Marc Anthony Venere, and the Redmond Family.



Violet Grey Receives Minority Investment From Shiseido

Shiseido made a minority investment in Violet Grey, a luxury beauty online retailer. Violet Grey, founded in 2013 by Cassandra Grey, sells a curated assortment of luxury beauty 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. The investment, said to be between \$5 million and \$10 million, aligns with Shiseido's VISION 2020 plan, which launched in 2015 to improve the company's digital presence. The investment also allows Shiseido to grow its branded presence on Violet Grey and gain insights into the luxury beauty market. According to industry sources, Violet Grey generates approximately \$5 million in revenue but is expanding rapidly. The Violet Grey investment is consistent with Shiseido's recent strategy focused on technology including recent acquisitions of MatchCo, Giaran and Olivo Laboratories.

VIOLET GREY



BWX Receives Unsolicited Takeover Offer

The company's CEO John Humble and Finance Director Aaron Finlay, along with Bain Capital Private Equity, proposed an unsolicited takeover for Australia's BWX Ltd, valuing the company at A\$803.4 million (\$603.1 million) or A\$6.60 per share. The proposed offer consists of a 75% payment in scrip for the newly incorporated entity with the remainder in cash and represents a 50% premium over the stock price at the time of the offer. BWX Ltd. is a vertically integrated provider of body, hair and skin care products under brands including Sukin Organics, Derma Sukin and Renew Skincare. The company has added to its branded portfolio over the last year via acquisitions of Andalou Naturals and Mineral Fusion. The BWX board has established an independent board committee to assess the offer and recommended that shareholders take no action while the committee considers the proposal.



Goop Raises \$50 Million in Series C Funding Round

Actress Gwyneth Paltrow's lifestyle and eCommerce company Goop secured a \$50 million round of Series C funding from NEA, Lightspeed and Felix Capital, among other investors. Since its launch in 2008, the company has evolved from a health and beauty advice newsletter into an international eCommerce platform across the beauty, fashion, travel, and wellness categories. Although the company will not confirm estimates of revenue and valuation, it states it has tripled revenue each year since 2016 and is on track to more than double revenue in 2018—but has yet to become profitable. The Series C fundraising round brings Goop's investment total to \$82 million. The company plans to use this capital infusion to continue international expansion and introduce new product lines and categories.



Indie Brands Make Their Mark at the CEW Beauty Insider Awards

The continued market shift to indie brands was noted at the 24th annual Cosmetic Executive Women (CEW) Beauty Insider Awards, with a long list of independent brand winners and a 26% increase in the number of entrants in the indie category. Indie winners included Ouai Haircare, Charlotte Tilbury, Supergoop, Briogeo, Pacifica, Chuda Skincare, Pixi, Sakara Life, The BrowGal, Beautyblender and Drunk Elephant. In addition, several previously acquired indie brands also won awards including Oribe, Urban Decay, It Cosmetics and Becca Cosmetics.



Venture Capital Activity Remains Strong in the Beauty Care Sector






Beauty care continues to attract venture capital interest as highlighted by several high-growth brands that received funding over the last quarter. Kosas, a color cosmetics brand, secured \$2 million in Series A funding, and Mented Cosmetics, a vegan and non-toxic lipstick brand designed especially for women of color, raised \$4.2 million in a round of seed funding—both funding rounds were led by CircleUp Growth Partners. Quip, a New York-based startup that sells subscription-based electric toothbrushes direct-to-consumer, raised \$10 million in Series A funding led by Sherpa Capital. Lola, a feminine care company, raised a \$24 million Series B funding round led by Alliance Consumer Growth Capital. Scentbird, a subscription-based fragrance and personal care company, raised an \$18.6 million Series A funding round led by Goodwater Capital. Launched in late 2017, female-focused shaving subscription service, Billie, raised \$6.2 million to close their seed funding round, led by Lakehouse Ventures, Silverton Partners and Female Founders Fund.

Kosas mented

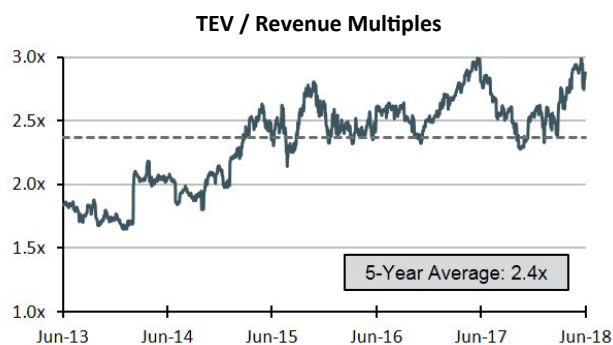
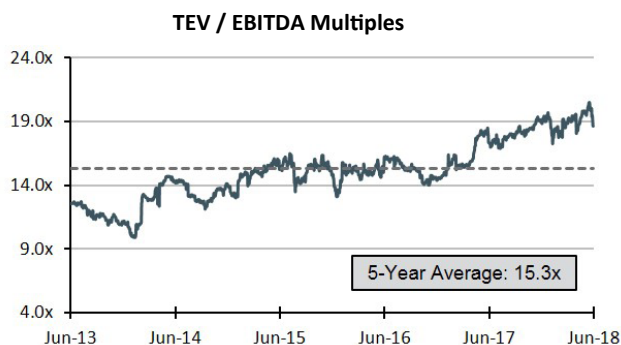
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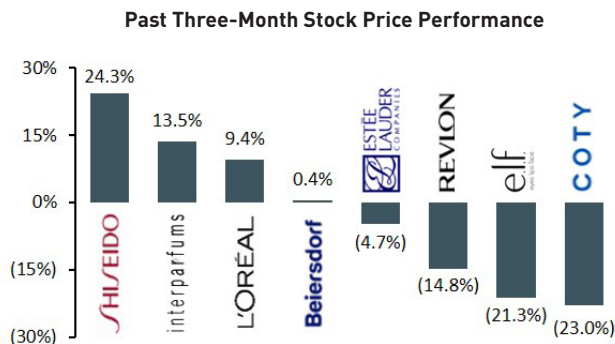
Publicly Traded Companies (USD Millions)

Company	Enterprise Value	Market Cap	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit	EBITDA	1-year	3-year	Revenue	EBITDA
 Beiersdorf	\$23,720	\$25,811	\$8,257	58.8%	17.5%	2.2%	2.7%	2.9x	16.4x
 COTY	\$18,653	\$10,583	\$9,340	62.3%	13.1%	22.1%	28.6%	2.0x	15.2x
 elf	\$867	\$723	\$275	60.6%	17.1%	10.5%	23.8%	3.2x	18.4x
 ESTÉE LAUDER COMPANIES	\$53,534	\$52,373	\$13,282	79.4%	21.3%	12.3%	7.2%	4.0x	18.9x
interparfums	\$1,626	\$1,674	\$620	56.4%	15.3%	9.8%	9.6%	2.6x	17.2x
L'ORÉAL	\$136,064	\$138,279	\$30,455	71.7%	22.3%	(2.7%)	2.5%	4.5x	20.0x
REVLON	\$3,799	\$938	\$2,660	57.7%	5.7%	0.5%	12.0%	1.4x	25.2x
 SHISEIDO	\$31,269	\$31,542	\$9,306	77.6%	14.3%	13.9%	8.5%	3.4x	23.5x
Mean				65.6%	15.8%	8.6%	11.9%	3.0x	19.3x
Median				61.4%	16.2%	10.1%	9.1%	3.0x	18.6x

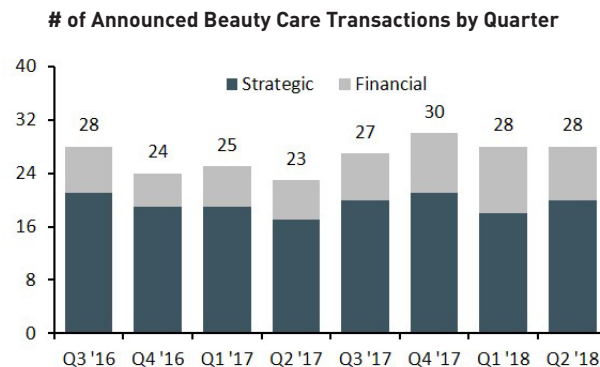
Historical Public Company Trading Multiples



Global Beauty Care Stock Price Performance



Global Beauty Care M&A Transactions



Select Transactions

<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 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>a portfolio company of</p>  <p>has been acquired by</p> <p>L'ORÉAL</p> <p>Advisor to PUREOLOGY*</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>Continental Fragrances, Ltd. dba</p>  <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Advisor to Continental Fragrances</p>	<p>DAVEXLABS LLC dba</p> <p>LANZA[®]</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>LORAC</p> <p>has received an investment from</p>  <p>in partnership with management</p> <p>Advisor to LORAC Cosmetics</p>	<p>AWARE[™] PRODUCTS LA</p> <p>has been acquired by VPI Holding Company, LLC</p> <p>the parent company of</p> <p>VEE-PAK</p> <p>and a portfolio company of</p>  <p>Advisor to Aware Products</p>
<p>enaltus[®]</p> <p>a portfolio company of</p>  <p>has sold the brand</p> <p>ScarAway The Solution for scars[®]</p> <p>to</p> <p>Perrigo</p> <p>Advisor to Enaltus</p>	<p>JD Beauty Group</p>  <p>owner of</p>  <p>has obtained a majority investment from</p> <p><i>tOpspin</i></p> <p>Advisor to JD Beauty Group</p>	<p>product club</p> <p>has been acquired by</p>  <p>Advisor to Product Club</p>	<p>ENVY MEDICAL[™]</p> <p>has received a growth equity investment from</p>  <p>Advisor to Envy Medical</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 has been acquired by</p>  <p>a subsidiary of</p> <p>SHISEIDO</p> <p>Advisor to JOICO*</p>	 <p>has been acquired by</p> <p>CONAIR[®]</p> <p>Advisor to Allegro*</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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Intrepid is one of the most active mergers and acquisitions advisors in the Beauty & Personal Care sector. Our team has a deep understanding of trends and value-drivers across the sector, ongoing dialogue with the acquirer and investor universe, and a proven track record of helping clients sell to global strategic acquirers and value-added private equity groups.

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