

# Personal care and beauty

## Top 5 trends driving M&A in 2017



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**Increased competition amongst private equity investors**

**Influencer-driven growth through social media**

**Retailers differentiating their offer through owned brands**

**High growth in 'indie' brands attracting large corporate buyers**

**The natural / organic beauty movement**

**Increased competition amongst private equity investors**

**Cornerstone**



TRUE  
BOTANICALS

For many years, private equity investments in the beauty sector have been led by experienced, focused firms such as TSG Consumer, Tengram Capital Partners and L Catterton. Driven by the high sales growth rates and sales-based multiples available for successful brands, competition to invest in the sector has increased during 2017 and new entrants Ares (Devacurl) and Main Post Partners (Milk Makeup) have made their first investments in the sector. This has led to investors looking to support brands at an earlier stage in their growth cycle, as seen with CAP Invest backing Pai skincare, Calculus Capital investing in Cornerstone men's grooming, and Unilever Ventures taking stakes in True Botanicals skincare and Nutrafol hair growth vitamins.

**Influencer-driven growth through social media**

**Charlotte Tilbury**

**HUDA BEAUTY**  
NUTRAFOL

For smaller, younger brands there is a growing network of credible yet accessible makeup artists with a significant social media following able to drive engagement towards their brand and achieve growth rates previously unattainable when reliant on the shelves of prestige and mass retailers. Brands that can create genuine excitement and engagement with consumers on social media can grow and become very attractive very quickly. The success of Charlotte Tilbury (investment from Sequoia Capital) and Huda Beauty (considering investment) within five years of launch show the potential growth available.

**Retailers differentiating their offer through owned brands**

**ESPA**



**ILLAMASQUA**

Online and offline retailers are looking to differentiate their offer to consumers through acquiring brands they can support and to which they can offer premium shelf/online display. Following recent year acquisitions by Walgreens Boots (Liz Earle, Soap & Glory), Holland & Barrett (Dr Organic) and Target (Sonia Kashuk), 2017 has seen The Hut Group add ESPA and Illamasqua to its owned brand portfolio. These retailers typically have vast amounts of data available to determine brands to acquire and the high margins and fast-growth achievable enable strong valuations to be paid.

"The personal care and beauty sector has proven to be very resilient in times of economic challenge. M&A activity and valuations have been very strong in 2017 buoyed by acquisitive trade corporates and an increasing appetite amongst private equity firms. This trend is fully expected to continue in 2018."

**Matthew Wiseman**  
Partner  
Catalyst Corporate Finance

### High growth in 'indie' brands attracting large corporate buyers



There has been a lot of PR coverage in 2017 of 'indie' brands growing at the expense of the traditional corporate powerhouses, particularly in modern, direct-to-consumer channels. Brands such as Glossier, Anastasia Beverly Hills and Deciem (invested in by Estée Lauder during 2017) are leading the charge, achieving triple-digit year-on-year sales growth and illustrating the growth achievable by brands that are able to create passion and engagement amongst their consumer community. The closure of the Estée Edit brand after only one year demonstrates it is not easy for even the strongest corporates to mimic such brands themselves. Unilever's acquisitions of Hourglass and Carver Korea are good examples of a large corporate prepared to pay premium valuations for strategically important brands.

### The natural / organic beauty movement



Consumers are increasingly aware of the impact of applying chemicals to their skin and their absorption into blood streams. Brands with a natural and/or botanically derived orientation now represent the largest combined share of prestige skin care sales and have accounted for all growth in the category in 2017. The number of acquisitions of skin/body care brands with a natural/organic proposition has increased significantly in recent years from eight across 2013 and 2014 to 37 between January 2015 and September 2017. Brands with genuine natural credentials such as Drunk Elephant, Indie Lee, Pai and Native deodorants have been invested in or acquired during 2017. As the consumer becomes savvier, brands with true integrity to their ingredients sourcing and natural proposition are the best positioned to gain trust and thrive, and attract buyer interest.

## Smart advice

Catalyst advises business owners and management teams on:

- Company sales and acquisitions
- Management buy-outs and buy-ins
- Raising private equity capital
- Raising and refinancing debt capital
- Equity Capital Markets

## Global reach

Over 400 professionals in more than 20 countries providing:

- Access to overseas buyers
- Identification of overseas targets and acquisition execution
- International M&A research
- Local insight into M&A culture and tactics

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