INTRODUCTION

At BGM, we believe that we’ve struck the right brain versus left brain balance when it comes to business. Our premise is that one informs the other, with principals Kelly Kovack and Scott Gurfein creating the perfect union through the integration of left-brain logic, reasoning and management with right-brain creativity, innovation and design. It is through the lens of this whole brain approach that we’ve viewed the M&A landscape for 2014.

M&A activity in 2014 was on fire and ignited by industry stalwarts leveraging strong balance sheets to pick up assets ripe for expansion through established distribution platforms. Niche, fragrance, and technology sectors were served up, and in looking back at some examples from 2013, we can see the same pattern:

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So, what’s the takeaway?

Necessity is the mother of invention and in the case of the beauty industry we see both invention and reinvention. That’s great news. Seemingly cataclysmic shifts in distribution models and technology enabled tools along with selling models and data-driven just in time production concepts converge to do one thing: sell product.

KOSÉ ACQUIRES TARTE COSMETICS

WHAT:
A cosmetic and skin care brand founded by Maureen Kelly 15 years ago has evolved into an ‘eco-chic’ positioning with products based on naturally derived ingredients. The distribution is primarily in the U.S. with its products sold through premium channels and QVC. International distribution has been developed with Sephora and QVC U.K.

WHY:
Kosé does the bulk of its business in Japan and with small presence elsewhere in Asia but has a strategy of expanding overseas operations to become a more global organization. The acquisition of a well-known North-American brand gives the company a new source of growth outside Japan and provides a foothold in the U.S. market.

DETAILS:
• Japan’s Kosé Corp buys 93.5% stake in New York-based Tarte Cosmetics for $135 million.
• Kosé bought out Encore Consumer Capital’s entire stake in the firm as well as most of Tarte’s founder Maureen Kelly’s shares.
• Tarte ended 2013 with revenues of $68 million.
• According to industry sources, Tarte is one of the fastest-growing cosmetic companies in the U.S. with growth averaging close to 30% annually.
• Tarte’s existing management will stay in place.

KK: This acquisition is a lesson in patience and clarity of vision for entrepreneurs building brands in the beauty space. In the course of 15 years, Maureen Kelly steadily grew sales focusing on key retail relationships in the U.S. market while strategically evolving the brand to reflect consumer preferences and maximizing trends.

SG: Maureen has been at this a while. She stayed the course and also clearly understood the business of the business in order to chart a path for the brand and financing for the company. Without knowing the details or the financials, this deal points to an ever-increasing foreign buyer appetite in deal making and a US presence.
COTY ACQUIRES LENA WHITE

WHAT:
Lena White Ltd. is one of the largest international distributors of Coty’s power brand OPI. For the past 30 years, Lena White has served as OPI’s distributor in the U.K. for the professional and retail beauty channels and brings extensive experience in the professional sector.

WHY:
“This acquisition is an important step in strengthening OPI’s position in Europe,” said Michele Scannavini, CEO of Coty Inc. “The OPI strategy remains focused on the salon professional and prestige channels, and we expect to accelerate its growth in the international markets by leveraging our investments in both areas. We welcome the Lena White team to the Coty family, and we look forward to integrating their unique expertise in our U.K. business.”

DETAILS:
• Financial terms were not disclosed.
• Coty will directly lead the development of the OPI brand in the U.K., its second-largest market.
• Coty will continue to leverage Lena White’s strong management expertise.

KK: OPI is the indie gift that keeps on giving. The strength of the OPI engine under Coty’s umbrella continues to provide strategic value and revenue opportunities.

SG: Talk about strategic. Similar to L’Oreal’s rollup of professional salon distributors over the years, this deal is accretive to Coty out of the gates allowing more profit to fall to the bottom line. It’s a classic case of disintermediation by way of acquisition.
L’ORÉAL ACQUIRES MAGIC HOLDINGS

WHAT:
Magic Holdings is the largest facial mask brand in China with a massive network of 288 distributors in 32 provinces and regions.

WHY:
Facial masks are one of China's beauty market’s fastest-growing areas providing L’Oréal with the ability to further enhance the product offering with its science-based formulation expertise. This strategic brand acquisition should allow L’Oréal to accelerate the growth of its own brands in the Chinese market where Euromonitor expects beauty and personal care sales to grow by 8% to 34 billion this year.

DETAILS:
• L’Oreal acquires Magic Holdings for HK$6.54 billion ($840 million).
• Magic Holdings had revenue of nearly $199 million last year.
• It is estimated that L’Oreal is paying 20 times Magic’s 2012 earnings before interest, taxes, depreciation and amortization according to Manso de Zungia, an analyst at Societe Generale SA.

KK: L’Oréal has acquired significant distribution penetration throughout China. In theory, it has also tapped into the home market advantage of a domestic brand that could provide the ability to respond faster to consumer trends.

SG: This is a classic case of buy vs. build. With this acquisition, L’Oréal gets localized distribution access in a massive market as well as cultural relevance which should ease the introduction of existing and new brands. And, unlike Facebook's acquisition of WhatsApp, everyone can understand the numbers.
BEAUTY BRANDS ACQUIRED

WHAT:
Kansas based Beauty Brands is billed as the first to offer time-starved consumers the convenience of a full service destination. The chain of salon-spa-retail stores was founded in 1995 by Bob Bernstein and has grown to 55 locations in 11 states with 13 locations in the Kansas City area with store foot prints are 6000-8000 sq.

WHY:
Lyn Kirby knows a thing or two about this space from her time as CEO at Ulta where she was instrumental in growing the Company until 2010 when she stepped down. As part of the group that acquired Beauty Brands, Lyn will undoubtedly apply her talents and experiences at Ulta to offer up some stiff competition.

DETAILS:
• Former Ulta Beauty CEO Lyn Kirby and unnamed California private equity group have acquired controlling interested from Founder Bob Bernstein.
• Two former Ulta executives have been brought in as Beauty Brands’ new leadership. Rich Bos will be President and Lyn Kirby serve as CEO and Chairman of the board.
• Bob Bernstein will continue to serve as a consultant as needed and continues to own a minority stake.
• Financial details were not disclosed.

KK: Currently there is no significant one-stop service/retail outlet with a national footprint of any significant scale which offers a unique advantage to compete with Sephora and Ulta. It will be exciting to see how two seasoned retail veterans evolve and grow this business.

SG: It’s a big country with lots of opportunity to deliver high-demand personal care product and service to consumers. Putting both under one roof to meet the needs of consumers in a convenient way coupled with a proven management team has all the ingredients for success. This is one to watch.
TPG GROWTH AND E.L.F. COSMETICS

WHAT:
Founded in 2004 by father and son team Alan and Joey Shamah, e.l.f. Cosmetics began primarily as an online retailer establishing itself as an online authority. The digital presence provided a unique foundation to build a product offering grounded in high-quality cosmetics, tools and accessories at compelling values. The success online caught the attention of several large mass retailers resulting in permanent in-line displays and a multi-channel distribution strategy.

WHY:
Typically, we see sales of private equity holdings to strategic buyers. In this case, private equity firm TSG Consumer and e.l.f. Management sold to another private equity firm. Assuming a case where TPG believes there is major growth yet to come from e.l.f, it will be exciting to see how big the brand can grow under its ownership and to which strategic may ultimately be the final owner of the brand.

DETAILS:
• TPG Growth acquires majority stake from TSG Consumer Partners and the e.l.f. Cosmetics founders.
• Company founders will continue to have a meaningful investment in an ongoing role in the company.
• Terms of the transaction were not disclosed but it is rumored that the price was between $200-300 million dollars.

KK: e.l.f. Cosmetics is one of the most innovative value brands that nailed what consumers wanted in color cosmetic - value ($1, $3 and $5), quality, extensive assortment and experience. I expect to see the brand push the envelope even further in the realm of digital and social initiatives continuing to define what can be done by a beauty brand online.

SG: What I love about this deal is the establishment and transformation of a digital borne consumer packaged goods brand to multichannel retail. With a healthy ecommerce engine in place, e.l.f. has a foundation to expand its brand and revenues. Activating that potential with private equity capital and leveraging existing assets demonstrates a new way of building consumer brands and shareholder value.
L’ORÉAL ACQUIRES CARITA, DECLÉOR

WHAT:
Both brands are inspirational and complementary, established in France, and developed as global skin care product lines targeting premium and luxury end markets. Founded in 1974, Decléor is a leading aromatherapy brand. And Carita, created in 1945 by Maria and Rosy Carita, incarnates the art of prestigious French pampering. Under Shiseido’s leadership since 1986, the brands strengthened their equity, developed their global footprints and grew to the No. 2 position in the global professional spa and beauty market.

WHY:
The deal looks to benefit both parties. As part of a strategy based on “selection and concentration”, Shiseido will focus its Professional Division on the hair category with efforts on Shiseido Professional for the Asian market, and Joico for the U.S. and European markets. While the Carita/Dequeor brands fell outside the new Shiseido strategy they were the perfect acquisition to round out L’Oréal’s professional brand portfolio providing a meaningful foothold in the professional skin care category.

DETAILS:
• L’Oréal acquires 100% of Decléor/Carita shares, along with related assets valued at €2 million from Shiseido for €227.5 million.
• Decléor/Carita achieved combined sales of approximately €100 million in 2012.
• Carita brand products are distributed in 56 countries and Decléor products in 80 countries, both including Japan.

KK: This acquisition by L’Oréal positions them as a major player in the professional beauty market. The Decleor/Carita businesses complement L’Oréal’s professional stable of nail and hair brands.

SG: Just another classic strategic M&A deal which was good for both L’Oréal and Shiseido. It’s kind of like the Yankees trading a less needed shortstop for a much needed pitcher.
DIAMOND PRODUCTS ACQUIRES JIMMYJANE

WHAT:
Jimmyjane, the award-winning lifestyle brand was founded in 2003 by visionary Ethan Imboden. Sitting at the intersection of sex toys, technology and design the brand captured the white space in the nascent premium Sexual Wellbeing market by redefining the conversation around pleasure products. While not a beauty brand in the true sense of the word, there were a handful of traditional beauty outlets that sold the brand. Studio at Fred Segal had a stunning shop in shop featuring the entire brand while Sephora and Nordstrom focused on the massage candles and personal care skus.

WHY:
While there have been many new brands launched with similar positioning, Jimmyjane was the first, winning awards for both design and technology in their goal of bringing “pleasure to the people”. Diamond’s products are currently sold through 5,000 retailers in more than 80 countries which will provide a very large platform for the growth of the Jimmyjane brand. Though vibrators and other “toys” were largely considered outliers as recently as five years ago, the category has entered the mainstream representing sales of $15 billion grabbing the attention of private equity.

DETAILS:
• Diamond Products, a portfolio company of New York’s Brookstone Partners, has acquired high-end sex toy manufacturer Jimmyjane.
• The companies did not disclose the amount of the all-cash deal.

KK: Resolute in the opportunity at hand, even when no one else saw it. Ethan created a well articulated brand coupled with an unwavering commitment to quality and design to establish a niche. At it core the brand strategy was simple – get your story straight and stick with it – repeat it again and again.

SG: Sex sells and positioning is everything. Retail embrace really is the testament to Ethan’s tenacity and I feel strongly that not only will this Company continue to grow, but lots of other brands will follow and capture consumer share of wallet and...
NESTLE TAKES STAKE IN GALDERMA

WHAT:
Founded in 1981 through a joint venture between Nestlé and L’Oréal, Galderma’s focus has been on developing advanced technologies and skincare solutions with a commitment to dermatology as demonstrated by its ongoing collaboration with healthcare professionals, medical institutions and non-profit research foundations worldwide. The Company’s products are available through medical practitioners as solutions to patient skin conditions.

WHY:
Nestlé’s mission to diversify into high growth / high margin businesses is reflected by this acquisition. With full control now over Galderma, Nestlé Skin Health S.A. was formed and joins its nutrition and health division, which reported the fastest growth amongst all divisions in the company, according to Euromonitor Foods analyst, Ildiko Szaslo. Galderma’s Scientific Division will become an active part of the subsidiary and according to CEO Paul Bulcke, “will have a broad commercial and R&D platform able to deliver state of the art solutions focused on maintaining, treating and restoring the health of the skin.”

DETAILS:
• L’Oréal bought back 8% of its shares from Nestlé for approximately €6.5 billion and Nestlé acquired L’Oréal’s 50% share in Galderma to gain full control.
• Nestlé will create Nestlé Skin Health S.A. which will join its nutrition and health division, which reported the fastest growth amongst all divisions in the company.
• The acquisition effectively diversifies Nestlé’s business in a high margin / high growth business.
• The new division will capitalize on the challenge of accessing medical care through the delivery of skin care solutions across multiple channels.

KK: While the blurring of distribution channels has been a topic of conversation for several years the professional channel is one that has remained fairly unchanged. This acquisition provides a significant foothold into a very profitable channel that potentially can provide a significant pipeline for new product and innovation.

SG: This is a very big chess move for Nestlé and puts it in a terrific position to benefit from a major global issue while aiding consumers, too. Given the state of health care as well as shortage of dermatologists worldwide, this deal sets Nestlé up to capitalize on its ability to deliver innovative product solutions to skincare conditions at a time when medical care service access is becoming more challenging.
MARIA SHARAPOVA INVESTS IN SUPERGOOP

WHAT:
San Antonio-based skincare brand Supergoop was founded in 2007 by company CEO Holly Thaggard. Supergoop was the first multi-functional skincare line in prestige distribution with a foundation in UV protection and a commitment to sun safety. The brand has 20 stock-keeping units with distribution in Sephora, Nordstrom, QVC and Giggle. Thaggard says the brand has achieved on average annual triple digit growth since launch and is already on trend to realize this benchmark in 2014.

WHY:
The business gets a cash infusion and a celebrity face for the brand. The partnership will be a vehicle for Supergoop to spotlight the brand’s mission to elevate skin cancer awareness along with the many skincare and beauty benefits attributed to daily application of UV protection. This is not the first dive into brands for Sharapova - she also has Sugarpova; a premium candy line with an ambition to become a lifestyle brand. Sharapova said she sees this as an opportunity to educate people about the dangers of skin cancer while taking another step toward her post-playing career.

DETAILS:
• Maria Sharapova has become an equity owner in Supergoop.
• Investment amount was not revealed but described as significant.
• Sharapova’s investment will help with product development but her main mission with the company will be skin care education.

KK: The timing of this announcement was brilliant in the beginning of April – leaving plenty of time for retailers to stock up on the brand going into the strongest month for sunscreen sales.

SG: Celebrity involvement with a brand is a double-edged sword - it can be influential and provide a competitive advantage in raising visibility as well as do damage if something tarnishes the celebrity’s image. Normally, a brand would pay to play with a celeb’s involvement so in this case, Sharapova’s investment speaks potentially to the actual business opportunity so that’s strategic and beneficial to the brand. Whether Sharapova’s investment is good for the business and she actually participates in the brand over time in a meaningful way that creates shareholder value remains to be seen. I think this brand has a lot going for it including timing.
JULEP RAISES SERIES C FINANCING

WHAT:
Julep is a beauty brand that combines a tech savvy distribution model and beauty industry know-how in a fast growing package. The brand leverages crowd-sourced product development to speed up its product development process and integrates customer feedback from online focus groups, real-world brainstorming sessions, Facebook, Twitter, YouTube and Pinterest into the development process.

WHY:
Julep brings products to market ten times faster than traditional beauty companies. The brand says the new funds will be used to continue its rapid pace of e-commerce and product innovation – the company’s revenues from e-commerce sales tripled in 2013.

DETAILS:
• Julep raises $30M in series C financing.
• The brand’s investors include celebrity backers Jay-Z, Azure Capital, Madrona Venture Group, Altimeter Capital, Andreessen Horowitz and Maveron bringing Julep’s total venture funding to $56M.

KK: Julep is interesting from a marketing and branding perspective because it has attracted funding from Silicon Valley, has a founder who is not from the beauty space, and has been described as a technology platform by some rather than a beauty brand. They are building a beauty business from a fresh perspective. They have unlocked the concept of “fast fashion” through truncated product to market development with consumer engagement informing trends. They also own a significant segment of their distribution (e-commerce, a subscription service, salons and retail stores), which allows them to move product at high margins and serves as a testing ground for merchandising the brand offering in third party retail. This could be the next billion-dollar beauty brand.

SG: Julep is the logical outcome of how consumer product companies should and will evolve going forward. With direct access to consumers, feedback, data and more, Julep demonstrates the power of bringing these elements together to capitalize on customer preferences and demand efficiently and effectively. Beyond the product business is a platform that serves as a new model for doing business in the consumer space and should make retailers and other companies take notice in every category of trade.
BAYER TO BUY COPPERTONE AND DR SCHOLL’S

WHAT:
These acquisitions will give Bayer the global number two position in non-prescription (OTC) products as consolidation in this industry segment continues and will significantly enhance Bayer’s business across multiple therapeutic categories and geographies.

WHY:
“This acquisition marks a major milestone on our path toward global leadership in the attractive non-prescription medicines business,” explained Bayer CEO Marijn Dekkers. “The sale of our consumer care business is part of our efforts to ensure that assets within our portfolio align with our core strategy, have industry-leading potential and generate long-term shareholder value,” said Kenneth C. Frazier, chairman and CEO of Merck. “By unlocking value in Merck Consumer Care, we’re able to further our goal of being the premier research-intensive biopharmaceutical company through targeted investments that strengthen our product portfolio and enhance our pipeline.”

DETAILS:
• Bayer announced it has agreed to acquire the consumer care business or Merck & Co. for a purchase price of $14.2 billion.
• Merck’s consumer care business includes leading brands such as Claritin, Coppertone and Dr. Scholl’s.
• Pro forma sales of the combined businesses in 2013 amounted to $7.4 billion with Merck’s business contributing approximately $2.2 billion.
• The most important brands are Claritin (allergy), Coppertone (sun care), Dr. Scholl’s (foot health), MiraLax (gastrointestinal) and Afrin (cold).

KK: A significant transaction from a financial standpoint and part of a larger strategy for both Bayer and Merck, however, for consumers and retailers the brands have simply changed ownership and I would imagine it will be business as usual.

SG: While significant in size, this is a great example of a healthy transaction from the perspective of focus and strategic corporate alignment and should be studied by companies of all size for that reason alone.
BLOWPRO ACQUIRED BY FAROUK SYSTEMS

WHAT:
Founder Stuart Sklar who built his professional career at L’Oreal, Avon and Coty recognized white space in the market in 2005 and launched Blow, the first every salon with a dedicated focus on blowouts in New York City’s Meatpacking District. A few years after opening the salon, Sklar launched a product line called, Blowpro, which is now distributed at Ulta, HSN, Nordstrom and Macy’s Herald Square. In addition to its free-standing Manhattan location, the brand has in-store service outlets in select Nordstrom doors and Macy’s Herald Square.

WHY:
The acquisition seems a natural fit, considering Farouk’s success in the hair tools arena, most notably with the Chi line. Word has it that a Blowpro hairdryer is already in the works. Basim Shami, CEO of Farouk Systems Inc. is using the Blowpro acquisition to create a separate company, to be called Beauty Elite Group. Blowpro is expected to be “the first of many prestige professional beauty acquisitions,” noted Shami.

DETAILS:
• In 2011, founder Stuart Skylar sold part of the company to entrepreneur David Maleh.
• The balance of the company was sold to Basim Shami’s newly founded Beauty Elite Group in May.
• The acquisition sum was undisclosed, though industry sources estimate the sale at about $10M.

KK: Interest in the blowout sector continues to grow from both a consumer and industry standpoint. The Farouk System brings capital, operational infrastructure and a distribution network that should provide rapid growth for the brand.

SG: Farouk’s leverage of the brand to capitalize on tools and products certainly makes sense and in the salon channel alone, can yield a significant business. Smart and strategic.
TSG SELLS ITS STAKE IN PERRICONE MD

WHAT:
Perricone MD was founded in 1997 by Dr. Nicholas Perricone, the world-renowned dermatologist and anti-aging expert. Today, the Perricone MD brand is recognized as a leader in the cosmeceutical category which it in part is credited for creating. The product line is comprised of powerful anti-aging topicals and supplements priced between $45 and more than $200 and are highlighted by top-performing franchises Cold Plasma, Acyl-Glutathione and Blue Plasma.

WHY:
It has been common knowledge that the brand has been looking to sell since 2012. The scale of this business falls into Lion Capital LLP’s wheelhouse as a private equity firm specializing in buyout and control investments in mature, mid and large-sized companies in the consumer sector.

DETAILS:
• TSG Consumer Partners LLC has sold its stake in Perricone MD to Lion Capital.
• Product sales and earnings have more than doubled in the last three years.
• The financial terms of the transaction were not revealed but the WSJ estimated in a 2012 article that the brand could potentially get more than $100 million in a sale.

KK: This is mature business and a well-managed brand that has continued to remain relevant through constant innovation. Coupled with a devoted consumer base this brand is well positioned for continued growth.

SG: As an outsider looking in, this sale appears to be another win for TSG, which is run by some of the smartest and most successful people I’ve met in the consumer space. However, whether the definition of a win is defined as a positive ROI or simply exiting the investment is unknown and sometimes doesn’t matter. What does seem clear is that additional unlocked value potentially exists somewhere in this brand and having been in existence since 1997 is nothing to scoff at.
HENKEL TO ACQUIRE THREE PROFESSIONAL HAIR BRANDS

WHAT:
SexyHair, Alterna and Kenra are professional hair companies owned by San Francisco based TSG Consumer Partners.

WHY:
These businesses will strengthen the Henkel portfolio in the categories of hair care and styling. The acquisitions help position Henkel as one of the leading global companies in the professional hair care market. “This acquisition is part of our strategy to invest in attractive country category positions in mature markets,” said Henkel CEO Kasper Rorsted. “North America is the biggest single market for Henkel and with these companies, we will further strengthen our presence in this region.”

DETAILS:
• Henkel signed an agreement with TSG Consumer Partners to acquire Sexy Hair, Alterna and Kenra for around 270 million euros ($370 million) in cash.
• In the fiscal year 2013, the acquired companies generated sales of about €140 million.

KK: This acquisition will provide additional operational resources and increase the brands’ international presence through Henkel’s existing distribution footprint with the Schwarzkopf brand.

SG: Another seemingly perfect strategic deal in the capitalization lifecycle from private equity to strategic buyer.
NESTLE BUYS DERM BRANDS FROM VALEANT PHARMACEUTICALS

WHAT:
Nestlé is acquiring the full rights from Valeant Pharmaceuticals International to commercialize in the U.S. and Canada Restylane, Perlane and Emervel products used for corrective facial aesthetic treatments, and Dysport, an aesthetic dermatology treatment. It will also acquire the full rights to Sculptra, a unique treatment for aesthetic and medical uses in the U.S., Canada and many markets around the world.

WHY:
“With this deal, we have acquired key strategic assets to extend Nestlé’s activities in the field of specialized medical skin treatments, providing consumers with life-enhancing scientific products,” said Nestlé chairman Peter Brabeck-Letmathe. And Nestlé chief executive Paul Bulcke, said, “This move will reinforce Galderma’s leading position in the industry when it becomes Nestlé Skin Health by allowing it to complete its geographic footprint for its strong portfolio of brands and leading medical solutions globally.”

DETAILS:
- Valeant Pharmaceuticals International, Inc. has entered into an agreement with Nestle S.A. to sell all rights to Restylane, Perlane, Emervel, Sculptra, and Dysport owned or held by Valeant for $1.4 billion in cash.
- Nestle expects to complete its acquisition of Galderma S.A. in July and would expect to operate the acquired assets through Galderma.

KK: Right on the heels of Nestlé’s acquisition of Galderma in Q1 2014, the company is well on their way to building a formidable portfolio of professional (medical) brands under the umbrella Nestle Skin Health S.A. Nestle is clearly and firmly committed to building businesses in the medical channel.

SG: Nestlé continues to build a dominant position in the global healthcare market and medical channel and with this acquisition, rounds out its portfolio with aesthetics along with topicals acquired earlier this year. As with the Galderma deal, this one further sets Nestlé up to capitalize on its ability to deliver innovative product solutions to skincare conditions at a time when medical care service access and the business of skincare is becoming more challenging.
L’OREAL PURCHASES NYX COSMETICS

WHAT:
Headquartered in Los Angeles, NYX was created in 1999 by entrepreneur Toni Ko, who had a vision for creating a line of high-quality, on-trend professional color cosmetics at attractive prices. Rooted in professional makeup artistry and driven by an impactful social media and grassroots marketing strategy, NYX has become one of the fastest-growing color cosmetics brands in the U.S. NYX offers a broad catalog of products which includes everyday basics, on-trend shades, and special occasion makeup with price points mostly in the $6 to $10 range. The brand is currently distributed through professional beauty stores, specialty cosmetics stores, other retailers, e-commerce and some NYX branded stores.

WHY:
The brand will become part of the consumer products division of L’Oreal, and this acquisition further enhances L’Oreal’s roster of American brands, which includes Maybelline NY, Kiehl’s, Essie, Urban Decay and Clarisonic. NYX fits nicely into L’Oreal’s portfolio and will appeal to the consumer who thinks she’s to young to buy L’Oreal Paris and who perceives herself as more edgy than Maybelline. “NYX is a dynamic company that has done a tremendous job of harnessing the power of social media, digital marketing and multi-channel distribution,” said Frédéric Rozé, president and CEO of L’Oreal USA. “Both L’Oreal and NYX share a passion for innovation and a confidence in the strength and vitality of the color cosmetics market.”

DETAILS:
• In 2013, NYX reported net sales of $72 million, a growth of 46% vs. 2012.
• Sales in the 12 months through May rose 57% to $93 million.
• NYX Cosmetics will continue to operate out of its Los Angeles headquarters under the brand’s current leadership team.
• Terms of the deal were not disclosed, but industry insiders believe L’Oreal, which is on the prowl for further acquisitions and has the money to do so, paid about $500 million.

KK: Every “indie” mass color cosmetic brand that has come across my desk positions themselves as themselves at “the MAC of mass” but NYX is truly is the closest thing in the channel. It will be interesting to see how the combination of the world’s largest cosmetic company and arguably one of the industries fastest growing and most innovative brands scales the business in what is one of the most competitive categories in the industry.

SG: In L’Oreal’s wheelhouse, NYX is set to explode. NYX will also provide much needed learning in the area of social media marketing and ecommerce, areas that should also help to propel the performance of L’Oreal’s existing brands.
DRYBAR GETS $20 MILLION INVESTMENT

WHAT:
Founded by Alli Webb and her brother Michael Landau in 2008 the Los Angeles based Drybar has established itself as the market leader in the hot blow-dry market. It’s known for its stylish, high quality and affordable blow-dry services serving more than 100,000 women each month across 37 retail locations. The brand also has a line of hair care and tools distributed through more than 200 Sephora locations nationwide and QVC.

WHY:
Most would consider them the leader in the US marketing in this new niche of the industry but there is no shortage of competition. The company plans to use proceeds from the investment to continue their rapid national expansion efforts and further invest in talent and infrastructure.

DETAILS:
- The investment $20M investment is led by SPK Capital and existing investor, Castanea Partners.
- Janet Gurwitch, founder and former chief executive officer of Laura Mercier Cosmetics, is a Drybar board member and also participated in the round – as well as Ron Frasch, former president and chief merchandising officer at Saks Fifth Avenue; and Paul Pressler, a veteran consumer products executive.
- Including this $20 million investment, which was managed by Brian Smith at Piper Jaffray & Co., Drybar has raised more than $50 million of capital to date.

KK: Drybar may not have been the first to identify the whitespace in the blowout market but this business is an important lesson that being first doesn’t ensure you will own the space. Drybar learned the pain points of the business early, adjusted the concept accordingly, created a consistent replicable formula and scaled fast.

SG: What Drybar has done admirably is to establish a brand as well done and loved as the Soul Cycle’s of the world where buzz, newness and loyalty collide to create a level of momentum that permits the business to catch up and get in stride in a rare and exciting way. I am eager to see what the full potential of the service component is to this business as growth for the product piece is certainly unlimited.
ENCORE TAKES STAKE IN BUTTER LONDON

WHAT:
Butter London was founded in 2005 by Sasha Muir and launched as a nail lacquer brand. Positioned as an entry level brand at premium, it’s initial price point was $15. Last year, the brand expanded into color cosmetics with an average price point of $20. Up until now, the Company’s business model had been primarily focused in wholesale with a single freestanding nail salon in the Seattle-Tacoma International airport, where the company is based.

WHY:
From the brand side, CEO Leslie Frytag said the company has been looking for a financial partner to help with the capitalization of the business to fund growth. On the financial side, Kevin Murphy, a managing director at Encore said of the acquisition in WWD, “We love businesses that are able to establish long-term and recurring relationships with their customers.” He also quoted a second reason being that Butter London is a “superstrong brand” backed by an equally “strong team built for a substantially larger business”.

DETAILS:
• Encore’s investment was described as substantial, but the terms of the deal and investment amount have not been disclosed.

KK: Butter London was one of the early players that saw the white space in nails and fully committed to owning their piece of this category. With the nail category beyond saturated at this point, the brand has been proactive in building adjacent categories. The capitalization of the business for growth poises the brand for significant growth.

SG: As always, I am encouraged to see healthy companies with growth potential being properly matched up with financial investors to find 1+1=3 synergy. It’s interesting to note that a number of really great brands were minted in the same era as Butter London, and we have seen recent transactional activity amongst this class including Tarte and Perricone.
THE HONEST COMPANY RAISES $70 MILLION

WHAT:
The Honest Company was co-founded in 2012 by actress Jessica Alba, Sean Kane, Brian Lee, and Christopher Gavigan. The Company was inspired by Alba when she suffered an allergic reaction to a commonly sold laundry detergent. This experience led her to research products marketed to families and the realization that many were laden with untested and possibly toxic chemicals. Leveraging Alba’s celebrity and Gavigan’s experience advocating for the education of safe products for families, The Honest Company was born. Initially, the Company’s products were sold via TV and the internet and focused on remedies for baby. However, due to its success, the Company’s eco-friendly, non-toxic product line and distribution has expanded into brick and mortar outlets in food, drug, and mass channels as well as some specialty and department stores.

WHY:
Few personal care companies have grown so fast and at such a scale to warrant a $70 million investment. This latest financing, which follows a $25 million financing in 2013, will be used to further expansion in anticipation of a possible IPO in 2015.

DETAILS:
• The Honest Company raised $70 million at almost a $1 billion valuation to expand into Asia and enter new categories including beauty and feminine care.
• The Series C round came from several investors including Wellington Management Company, Institutional Venture Partners, Iconiq Capital, Lightspeed Venture Partners and General Catalyst Partners, along with some anonymous public financial institutions.
• Catalyst Partners, along with some anonymous public financial institutions.
• The company has a $200 million revenue run rate with the potential to file an IPO in 2015.
• Before this round, $52 million had been raised.
• The current management team, including Jessica Alba, will continue to actively manage the Company.

KK: The Honest Company has struck a chord with consumers with affordable, environmentally safe, well-designed product with a point of view coupled with an authentic social mission. While Jessica Alba certainly provides a powerful marketing engine at its core, the brand is delivering on its promise and is not relying solely on the power of her celebrity. It’s worth noting that The Honest Company does not rely on traditional retail outlets to drive its growth. Only 20% of their revenue is generated offline with roughly 80% coming from a monthly subscription business. Like Julep, this Company has built a meaningful direct to consumer business and as such, has control over its destiny in terms of distribution channels.

SG: This is one of the most exciting companies I’ve seen in a long time and a perfect example of what happens when all the stars (no pun intended) in the universe align: celebrity, cause, product, promotion, and distribution. Alba’s Honest Company hit the nail on the head with its non-toxic products, clear messaging, and promotional and sales strategy targeted to millennials. Timing, inspiration, aspiration, execution and capital have truly aligned in a magical way.
L’OREAL BUYS BRAZIL’S NIELY COSMETICOS

WHAT:
Daniel Fonseca De Jesus founded the company in 1981 and is the largest independent hair color and hair care company in Brazil which is also one of the largest markets in the hair category. The brand is widely distributed through retailers, wholesalers, supermarkets, pharmacies and perfumery chains. Additionally, Niely has industrial and logistic facilities based in Nova Iguacu. The Company’s main brands are Cor & Ton for hair color and Niely Gold for shampoos and care. Both are sold at accessible prices and enjoy large penetration amount the middle class.

WHY:
Continuing a push into emerging markets, the acquisition is a strategic move for L’Oreal in Latin America and Brazil, one of the biggest and fastest growing markets globally for hair-care and hair-color.

DETAILS:
- L’Oreal acquires 100% of Niely Cometicos.
- Niely is the largest independent hair color and hair care company in Brazil.
- 2013 net revenues of 405 million Brazilian reals, or $188 million at an average exchange.
- Founder Daniel Fonseca De Jesus will join L’Oreal Brazil’s strategic committee as vice president.
- Investment bank Michel Byens & Co advised Niely’s shareholders in the transaction.
- Financial terms were not disclosed.

KK: L’Oreal has been one of the most active beauty firms on the mergers and acquisitions front this year spending $5 billion on deals this year. Niely is yet another strategic acquisition in a key market. With 8% of L’Oreal revenue coming from Latin America, Niely’s penetration into Brazil’s growing middle class can be leveraged to provide growth potential for other brands in the L’Oreal portfolio.

SG: Emerging market dominance by way of acquisition is a sure fire strategy and it certainly works for L’Oreal. The fit between these companies is optimal for L’Oreal based on the category of goods sold and Niely’s vertical integration. Both enable L’Oreal to solidify its position in this volatile, yet exciting market, while providing the Company with the potential to access significant growth potential.
MURAD ACQUIRES UK DISTRIBUTION PARTNER

WHAT:

“When we began in 1989, our most intense efforts were focused on opportunities to expand our sales close to home, with North America as the major market for high-performance skin care products,” said Richard Murad, global general manager, Murad, Inc. “While we have a presence in more than 40 markets worldwide, with the acquisition of a U.K. distributor as our European hub and the planned acquisition of a Hong Kong distributor who can provide us with a robust presence in Asia, we are making a major strategic investment that will dramatically expand our ability to reach consumers.”

WHY:

This acquisition provides Murad the opportunity to directly manage the growth of its business in the UK while establishing a strategic base for planned expansion of existing operations in Europe.

DETAILS:

• Financial terms were not disclosed.
• All 60 employees working for the UK distributor will become Murad employees.

KK: With 25 years under their belt, this is an interesting and very smart move for Murad. Through the acquisition of their distributor, the brand gets an existing infrastructure while picking up margin, and the ability to directly manage an underdeveloped and important market. This vision, if successful, will significantly increase the brand’s international footprint and accelerate growth.

SG: Where distribution is King, I applaud this deal as both a strategic move to shore up Murad’s foothold in growth markets, and as a commitment by the Company to enhance its business model. As an independent, this is really smart business and if successful, the value creation will be well rewarded.
INTO THE GLOSS RAISES $8.4 MILLION

WHAT:
A New York based beauty website launched in 2010 by 29-year old Emily Weiss, who left her job as a fashion assistant at Vogue to build Into The Gloss. The site was launched with model interviews, makeup artists, and industry insiders on what products they use and why. The blog offers advice across all categories of beauty through a lifestyle approach.

WHY:
The financing was secured primarily to assist with the development of the brand’s product line called, Glossier. The range consists of daily use products built on reader feedback. “It’s basically going to enable us to scale,” says Emily Weiss, the founder, and CEO.

DETAILS:
• Just a month after the launch of the Glossier product range, Into the Gloss closed $8.4 million in venture capital from investors adding to the $2 million raised last fall.
• Forerunner Ventures and Lerer Hippeau Ventures helped the startup gain its initial $2 million and contributed to the recent $8.4 million investment.
• The largest contribution to the round came from Thrive Capital, also an investor in Warby Parker and Instagram.
• Other investors include 14W, TOMS Capital, Manzanita Capital, Andy Dunn (Bonobos founder), Dave Tisch (Spring and Box Group founder) and Jay Brown (ROC Nation).
• Morris Endeavor, which acquired IMG last year, also got involved with the contemporary company over the summer.

KK: Glossier is yet another beauty brand that is bypassing traditional distribution channels, and in the same vein of Julep and The Honest Company, it’s building a product business by going direct to consumer. With a blog that gets 8.5 million-page views a month and a group of investors whose backgrounds run the gambit of direct-to-consumer commerce businesses, entertainment and luxury, beauty brand Glossier certainly has a competitive edge. In my estimation, this brand is going to scale fast, and expansion into traditional distribution channels are probably in the works for 2015.

SG: The marriage of content and commerce has long been the winning formula for sales success and a key component to the power of the web. While Emily and Co’s strategy leverages these assets, a sustainable and scalable business still needs to be built, and success will have to be defined beyond tech investors jumping into the game. The Company was able to raise substantial funds at an early stage, and I suspect only because it is an internet / data / content / product play. That said, often, it’s having enough capital that makes the difference between success and failure.
SOAP & GLORY SELLS TO BOOTS

WHAT:
Founded by serial entrepreneur Marcia Kilgore, who is also the brains behind Bliss Spa and Fitflop. Launched in 2006, the brand is known for accessibly priced bath, body and skincare products and quirky marketing. The brand has developed a strong customer base with over 1 million followers on Facebook and 54k Twitter followers.

WHY:
Upon announcing the acquisition, both companies gave this joint statement: “In 2011, Alliance Boots became a minority shareholder in Soap & Glory, and the proceeds from that transaction were used to further accelerate the growth of the brand. Alliance Boots has effected the full acquisition of the company through the exercise of a pre-existing call right; the consideration has not been disclosed.”

DETAILS:
• In 2011, Alliance Boots became a minority shareholder in Soap & Glory.
• Soap & Glory will operate as a stand-alone brand within the Alliance Boots portfolio under the Global Brands division led by Ken Murphy.
• Kilgore will step away from the business immediately, but secured existing jobs as part of the deal.
• The brand has annual sales of about 100 million pounds, or $157 million, at current exchange.
• Alliance Boots acquired the brand for an undisclosed amount, but sources close to the brand told Retail Week the sale was in the neighborhood of 50 million pounds.
• Alliance Boots has effected the full acquisition of the company through the exercise of a pre-existing call right.

KK: The DNA of this brand is uniquely Kilgore. While the intention is to maintain the strong identity of an indie brand with an entrepreneurial culture, without Kilgore’s leadership in the transition, this might prove to be a difficult challenge.

SG: I have always felt strongly that retailers are the ideal acquirers of brands, so I applaud this one. Inasmuch that distribution is key, no other player has the unique insights into how a product performs against a customer base other than direct response marketers. Alliance Boots is one of the few major retailers out there capable of leveraging their unique assets and insights to identify and maximize branded product opportunities sold in its stores. I believe we will see a lot more of this kind of deal making in the future.
KENDO ACQUIRES BITE BEAUTY

WHAT:
Founded by Susanne Langmuir, Bite Beauty is a three-year-old Canadian Company specializing in natural lip products. The brand’s mission is to create beauty products that offer high performance formulated with ingredients healthy enough to eat. The Company’s mantra is “Edgy, Edible, Innovation for Lips.” The business also operates Lip Lab custom blending stores in New York’s SoHo district and Toronto.

WHY:
The brand is currently sold at Sephora, where it has become one of the fastest growing brands in history. David Sultieanu said he set his sights on Bite Beauty while still at Sephora. “The brand launched exclusively at Sephora, and I met Susanne,” he said. “In the beauty business, there are very few legitimate creative powerhouses, and she’s one. Second, it was hard not to like the idea of a brand that was built around the idea of edgy, edible, innovative products for lips. And the brand has flourished. When I took over this role full-time, the conversations got serious.”

DETAILS:
• Industry sources estimate the brand does about $30 million in retail sales annually.
• Bite Beauty joins four Kendo-created brands — Marc Jacobs Beauty, Kat Von D Beauty, Formula X and Elizabeth and James fragrances — as well as one other acquisition, Ole Henriksen, which was purchased in 2011.
• Bite Beauty will continue to be based in Toronto and Langmuir will report to David Sultieanu, chief executive officer of Kendo.
• Terms of the deal were not disclosed.

KK: Built with a singular focus on natural formulation and customization in the lip category, the positioning and category focus provides a solid foundation for growth across categories in color. Additionally the two Company-owned Lip Labs set the stage for a roll out of branded stores or in-shop concepts as distribution expands beyond Sephora.

SG: This is a straightforward and logical choice for Kendo made with intimate business insights gathered from the brand’s performance at Sephora.
ESTEE LAUDER BUYS EDITIONS DE PARFUMS FRÉDÉRIC MALLE

WHAT:
Launched in 2000 with the concept that the world’s best perfumers would create exclusive fragrances under their creator’s name. Malle’s only constraint: “Eliminate all that is superfluous or merely decorative.” The collection consists of 21 fragrances created by 12 master perfumers. The Company has 2 stores in NY and 3 stores in Paris.

WHY:
With this third acquisition, Lauder gains some serious muscle in its global luxury portfolio and distribution. “The Estée Lauder Companies has great respect for the art of perfumery and for the creativity, dedication and mastery required to create truly exceptional fragrance experiences,” Mr. Malle said in a news release. Fabrizio Freda, president and chief executive officer of the Estée Lauder Companies, describes the line as “the epitome of elegance,” and “a true luxury brand that augments our portfolio of prestige beauty products.”

DETAILS:
• Terms of the deal were not disclosed.
• The business is estimated to be $16 million wholesale.
• The brand will be managed by John Demsey.
• The Estee Lauder companies Inc. received financial advice from BNP Paribas and legal counsel from Lowenstein Sander LLP and Wragge Lawrence Graham & Co. LLP.
• Frédéric Malle received legal counsel from New York and Paris offices of Dentons and from Patterson Belknap Webb & Tyler LLP.

KK: This brand perfectly complements Lauder’s prestige brand portfolio. With the acquisition, Estee Lauder will gain a mature entrepreneurial brand, the loyal customer base cultivated over 14 years, and the vision of Frédéric Malle, who is largely responsible for creating the niche fragrance category. Lauder will be able to leverage 15 years of learning from building the Jo Malone brand which has many similarities to visionary founders, positioning, distribution, brand and product architectures.

SG: This is classic Lauder leveraging its unique brand building and growth muscle to transform businesses in categories it knows so well. Under Demsey, the brand and its recently acquired brethren will thrive.
ESTEE LAUDER BUYS
BUYS RODIN OLIO LUSSO

WHAT:
Founded in 2007 by stylist Linda Rodin, Rodin Olio Lusso has become a cult skincare line based on high-grade natural oils. The brand’s distribution is limited to high-end, trendsetting boutiques and specialty-retail channels, including Barney’s New York, Colette in Paris and Liberty in London. The highlight of the brand is the luxury face oil which is formulated with 11 different oils derived from both flowers and botanicals. The balance of the line - hair, body, fragrance and perfume incorporate many of the same oils.

WHY:
Lauder targeted this acquisition because it taps into the fastest growing sub-category in luxury skin care which is oils. They’ve become popular globally because they are naturally-based and deemed effective. “With its luxurious product line and strong creative point of view, we believe Rodin Olio Lusso has the potential to be a high-growth global skincare brand that strategically enhances our portfolio,” said Fabrizio Freda, President and CEO of Estee Lauder.

DETAILS:
• The acquisition price was not disclosed.
• The brand will be managed by John Demsey.
• Lowenstein Sander LLP served as legal counsel to The Estee Lauder companies Inc.
• Linda Rodin received financial guidance from Susan Newman, CPA and legal counsel from Greenberg Taurig, LLP.

KK: In addition to tapping into the micro-niche oil market, Lauder also taps into the emerging trend of using older models to appeal to mature wealthy consumers. At 65, Linda Rodin is the embodiment of aging with style; having been a fashion stylist and model making the brand aspirational, giving it authenticity and speaking directly to an underserved segment of women. This brand is perfectly positioned to be grown into the next luxury lifestyle brand for Lauder.

SG: Lauder will expand Rodin Olio Lusso via smart global distribution, brand nurturing, and product extensions. A perfect fit in its luxury portfolio of brands.
ESTEE LAUDER ACQUIRED LE LABO

WHAT:
Founded in 2006 with a storefront on Elizabeth Street by fragrance industry veterans Fabrice Penot and Eddie Rochi, Le Labo calls itself a “slow perfumery” with made-to-order fragrances. The brand has 35 points of distribution globally and ten free-standing stores in New York, London, Paris, San Francisco, Tokyo and Hong Kong. The sensory lifestyle brand has a distinct French heritage and emphasis on craftsmanship and personalization in its products and services. The brand has built a loyal following based on the quality of its products and unique retail experiences.

WHY:
“Entrepreneurship is at the heart of our Company’s heritage,” said William P. Lauder, Executive Chairman, The Estée Lauder Companies Inc. “One of the leading strengths of our Company is our ability to identify brands with unique positioning and nurture them to accelerate their momentum and realize their full growth potential. We are so pleased that the addition of Le Labo – with its strong growth trajectory as a global fragrance and sensory lifestyle brand – will continue this legacy.” Le Labo co-founders Fabrice Penot and Eddie Roschi feel the have found the perfect partner, “The Estée Lauder Companies not only understands and respects the core elements of our business, but also has the resources to help us continue to grow into a more fully expressed sensory lifestyle brand.”

DETAILS:
- Details of the transaction were not disclosed but WWD sources suggest that Estée Lauder could’ve paid up to twice as much as Le Labo’s annual retail sales, which are estimated at $20 million to $30 million.
- Le Labo will be overseen by John Demsey, The Estée Lauder Companies’ group president.
- BNP Paribas served as financial advisor to The Estée Lauder Companies Inc., while Lowenstein Sandler LLP and Wragge, Lawrence, Graham & Co. served as legal counsel.
- Le Labo received financial advice from Savigny Partners LLP and legal counsel from Barack Ferrazzano Kirschbaum & Nagelberg LLP.

KK: The backing of Estée Lauder will obviously fast track the brand’s expansion, but the trick will be to do so while maintaining the indie spirit of personalization and craftsmanship. This deal represents a wider interest in niche fragrance brands by the industry. Over the past few years, niche fragrances have out-performed classic fragrances by double digits according to NPD.

SG: Demsey has his work cut out for him in 2015 and what fun it will be. As with Frederic Malle and Rodin Olio Lusso, Le Labo will tap growth pockets including new markets and products to grow while leveraging Lauder’s deep pockets to build upon brand retail experiences to maintain its indie brand status.
LA LUMIERE Closes $20M Series B Financing

WHAT:
La Lumiere, a three-year-old, Jupiter, FL-based skin care company founded on bringing innovations to the market for at-home beauty treatments. Positioned as a leader in an emerging field of wearable light therapy devices, La Lumiere has two products currently on the market under the brand name illuMask: one for anti-aging and the other for anti-acne.

WHY:
The CEO Jay Tapper is a serial entrepreneur and inventor with a proven track record including the Spinbrush (the world’s first battery-powered toothbrush,) Spin Pop (the world’s first interactive candy,) and Stretch Armstrong (the iconic children’s toy.) Tapper’s history coupled with the at-home device market estimated to reach several billion dollars over the next decade makes for an interesting investment. The funding will help the company continue with their research and development pipeline.

DETAILS:
- The investment includes Johnson & Johnson Development Corp., the venture capital subsidiary of Johnson & Johnson. Other investors in the Series B include Swan & Legend Venture Partners.
- Benesch represented La Lumiere in its closing of a $20 million Series B financing

KK: The growth of the device market shows no signs of slowing and with Johnson & Johnson places their bets on La Lumiere on has to assume there is more innovation in their pipeline. This brand will be one to watch.

SG: I’ve never heard of this brand which doesn’t mean anything but clearly it means something to some big players. But a $20MM series B? Clearly something is special here, or we’re in an irrational state of irrational exuberance.
L’ORÉAL BUYS CAROLS DAUGHTER

WHAT:
Founded in 1993 by Lisa Price in her Brooklyn kitchen, Carol’s Daughter has grown to become the premiere American multi-cultural beauty brand, credited with helping pioneer the natural beauty movement. The brand has a loyal following built by addressing the needs of a diverse and rapidly growing market. Consisting of a comprehensive range of products across categories the business has a multi-channel distribution model incorporating specialty beauty stores, mass retailers, HSN, commerce and branded stores.

WHY:
L’Oreal USA is expanding its presence in the ethnic beauty category. “Carol’s Daughter possesses an expertise in the multi-cultural consumer segment, a rapidly expanding market that represents an important growth opportunity in the beauty industry,” said Frederic Roze, president, and CEO of L’Oreal USA. “This acquisition will enable L’Oreal USA to build a new dedicated multi-cultural beauty division as part of our Consumer Products business, and strengthen the company’s position in this dynamic market.”

DETAILS:
• The amount of the transaction has not been disclosed, but the company pulled in $27 million in revenue during the last 12 months.
• The brand sells its products in more than 2,000 retail stores around the country and through an online-sales operation.
• The brand closed all, but two of its seven stores last April and companies affiliated with Carol’s Daughter filed for Chapter 11 bankruptcy protection. According to documents, Carol’s Daughter reported assets and debts each in the $1 million-to-$10 million range.
• The brand will continue to operate out of their NYC headquarters under the current leadership team.

KK: L’Oreal USA is actively diversifying its product lines, and customer base. Carols Daughter ticks both boxes with a loyal multicultural consumer base and products with natural positioning, two categories that consistently out pace the overall cosmetics market growth. The US is irrefutable a multicultural market place that is growing rapidly with L’Oreal’s involvement, the brand appears well positioned for success.

SG: Carol’s Daughter is a perfect example of a brand going through its lifecycle and a business in transition. To say it has been a challenging road for the business would be an understatement, but the brand has survived, and the convergence of the ethnic market growth trend with new distribution has led to this acquisition. Furthermore, the acquisition underscores L’Oreal’s commitment to identifying on growth opportunities within global niche pockets poised to become meaningful businesses.
GLAMSQUAD SECURES $7M IN SERIES A FUNDING

WHAT:
Glamsquad is an on-demand beauty services firm launched in New York City in January with the mission of making getting ready a whole lot easier. The intention is to leverage the brand and consumer base to build a suite of complementary services, products and partnerships nationwide. To date, Glamsquad has completed over 10,000 services and events, and is now working to grow its core team and add more beauty services to its menu.

WHY:
The Series A round will enable the company to expand into more cities with the next being Miami during Art Basel in December. Jason Perri, Glamsquad’s chairman said the company aims to leverage SoftBank Capital’s expertise in scaling consumer businesses as well as their global presence in mobile and e-commerce to build a disruptive beauty business with a technology focus.

DETAILS:
• Series A funding lead by SoftBank Capital, the venture arm of SoftBank Corp.
• Other participants with a minority participation in the funding round included Lerer Ventures, AOL’s BBG Fund, and Montage Ventures.
• Alexandra Wilkis Wilson, cofounder, and strategic advisor to Gilt Groupe, is president and chief executive officer.
• Glamsquad had previously raised $2 million in seed funding, according to Crunchbase.
• The additional capital comes at a time when the company, currently operating in New York and L.A., is expanding nationwide with plans to launch in other cities in the near future, starting with Miami.

KK: The “Uber for X” categories seem to be hot among investors. Glamsquad competes with startups like Madison Reed, TheStylisted, Priv and more, and less directly with online beauty services such as StyleSeat or Beautified but the money and expertise of the investors certainly gives them a competitive edge. The platform is clearly being established to support additional verticals.

SG: Dot com meets consumer again and this time it’s for on demand services. No doubt the combination of tech, big data, consumer access and connectivity has attracted the big money and likely high valuations – but will it be a sustainable business? Clearly, some major (proven) players think so. I’m eager to see if GlamSquad can do for beauty what Zeel has done for massage.
ESTEE LAUDER ACQUIRES GLAMGLOW

WHAT:
GlamGlow is a niche brand in the facial mask category. Launched in 2010 by husband and wife duo Shannon and Glenn Dellimore as an indie brand and inspired by Hollywood. The multi-award winning brand tapped into specialty markets across the globe and carved out space in a non-conflicting category with room to grow. The brand’s 5 products are all masks and address specific facial concerns.

WHY:
On the heels of L’Oreal’s acquisition of Magic Holdings, a Chinese based maker of facial masks, Lauder jumps into the ring. The deal represents a unique opportunity for Lauder to tap into a younger customer base without cannibalizing its other holdings. With only 5 sku’s, the existing GlamGlow business which has distribution in close to 6500 points of sale, represents a significant base for expansion.

DETAILS:
• Estee Lauder to acquire GlamGlow for a reported $100-220MM according to Wall Street estimates.
• GlamGlow is thought to be profitable. The deal is Estee Lauder’s fourth since October 2014.
• Retail sales at the time of purchase are believed to be close to $90MM with 5 sku’s sold in 88 countries in 6500 doors mostly through distributors.
• The Estee Lauder Companies Inc., received financial advice from Moelis & Company LLC and legal counsel from Lowenstein Sandler LLP.
• The Sage Group, an investment bank in Los Angeles acted as GlamGlow’s financial advisor.
• GlamGlow will be overseen by John Demsey, The Estee Lauder Companies’ group president.

KK: Generating $90-$100 million in sales generated by five mask SKUS is beyond impressive. GlamGlow already has plans to expand into other categories with the release of mud-to-foam daily cleansers, including Sephora exclusive SuperCleanse in 2015. The plan here appears fairly obvious - prime the product pipeline and expand distribution.

SG: Dreams do come true, and not often on the frame of a quirky, cultish, niche brand playing in a red hot global category attracting the likes of L’Oreal and Estee Lauder. Lauder’s buying spree is perfectly timed to deploy investment capital to grow niche category assets and generate meaningful returns.
CATTERTON PARTNERS WITH INTERCOS

WHAT:

Intercos, founded in 1972 by Dario Ferrari, is among the leading global developers, manufacturers and distributors of cosmetics and skin care products on a business to business (B2B) outsourcing basis. Among its customers are some of the best-known brands and retailers in the global color cosmetics industry. Intercos offers a differentiated set of capabilities to the industry, representative of its broad product portfolio, global footprint, deep management talent and emphasis on research and product innovation. It has nine sales offices and 11 production facilities in nine countries, according to its website.

WHY:

Private Equity firm, Catterton Partners acquired a stake in Intercos after a failed IPO in October 2014. The partnership will provide Intercos with growth and operating capital globally and further solidify its position as a top global supplier to the cosmetics industry. While the IPO was called off in 2014, 2015 and beyond may prove better timing for Intercos and Catterton.

DETAILS:

• Private equity firm, Catterton Partners acquires a minority stake in Intercos after its IPO was called off.
• While financials for the deal were unavailable at publication, the purpose of the partnership is to continue to fuel Intercos expansion without a dependency on funds raised through the public markets.
• Dario Ferrari will remain as chief executive of the company
• Intercos has been advised by Rothschild and UBS acting as financial advisor, by Morri Cornelli e Associati and by LMS Studio Legale, as advisors of the controlling shareholder.
• Catterton received legal advice from Latham & Watkins LLP.

KK: Capital in the beauty space is not just for brands – but also for businesses that enable them. As the global cosmetics market heats up in countries like Asia and Latin America, established suppliers like Intercos are poised to benefit from growth. And, where growth exists, the money follows. We may see more activity in the B2B segment of the beauty space in 2015.

SG: Most M&A activity in the beauty space is focused on brands, but supply chain is a big enabler. I believe we will see more industry supplier and infrastructure activity in 2015 and beyond as markets extend more globally, technology becomes more important, and owner and investors seek alternative ways to create value.
TPG TAKES A STAKE IN BEAUTY COUNTER

WHAT:
Founded in 2013 by Gregg Renfrew, the Santa Monica, California based beauty products made without 1,500 harmful ingredients, contained in its “Never List,” linked to cancer, hormone disruption, reproductive toxicity and other health risks. The “safe” beauty brand is essentially a direct-to-consumer business consisting of e-commerce, 5000 independent beauty consultants and pop up shops.

WHY:
Expectations are that the funds will be used to accelerate growth, including investments in infrastructure and continuing to develop, and produce new products.

DETAILS:
• TPG Growth has acquired a minority stake in Beautycounter.
• Terms of the transaction weren’t disclosed. However, Gregg Renfrew, Beautycounter’s founder, and chief executive officer, told WWD in October that it expected to close a Series B round of financing of about $10 million to $15 million this fall.
• John Bailey, a partner at TPG Growth, will join the Beautycounter board.
• Market sources said the company is projected to exceed $50 million in sales in the coming year.

KK: Businesses with social missions and mandates of financial viability are becoming more common. This investment reinforces consumer interest in such brands. The additional capital should help the business define the largely unregulated “non-toxic” category of products and capitalize on the opportunity.

SG: With deals like Beautycounter, consumer and investor appetites grow, and it seems even more difficult to quantify the actual size of the beauty market. Mixing social conscious, doing well by doing good, direct to consumer and beauty products nets a $50MM business without a traditional retail footprint? That’s just fantastic. Hats off to Renfrew for tapping into the opportunity and the alignment with TPG and their portfolio experience seems like a perfect fit.
L’OREAL ANNOUNCES ACQUISITION OF COLORIGHT

WHAT:
Operating under the radar since 2002, the Israeli start-up develops hair fiber optical digital reader technology. The 50-employee ColoRight has developed systems to enhance the color-matching capabilities of hair dye. According to ColoRight, the company has “developed myriad patent-protected algorithms, technologies, designs, devices and applications” to figure out what shade of hair coloring matches a person’s natural color.

WHY:
Through this acquisition, L’Oréal reinforces its historic leadership in hair research.

DETAILS:
• No financial information for the acquisition was disclosed.
• ColoRight will maintain its offices in Israel and will continue to be managed by CEO Sagiv Lustig.
• ColoRight will join the L’Oréal global Research and Innovation network.

KK: ColoRight founded by Benny Landa, who designed and built the first digital printer. It proves you never know where inspiration in the beauty category will come from so keep your eyes open!

SG: One can only imagine what L’Oreal will do with Coloright's optical hair fiber technology, but I hope to see it deployed in a consumer or professional application. Custom hair color mixing pods? Custom blending in salons? Direct to consumer business? All of the above could revolutionize how hair color is made as well as quality levels, the industry, and not to mention eliminating a lot of plastic bottles.
CONCLUSION

2015 will be a volatile year overall and red hot for the beauty industry.

The race is on between big boys L’Oreal and Lauder, and other major players are sure to follow their lead in acquiring brands with strong niche followings, category opportunities that may lead to strong returns, and new technology platform and channel opportunities.

To that end, brand lifecycles from inception to monetization are shortening, and the role of entrepreneurs and capital are becoming more pronounced with interests that are well aligned.

With strategic and financial investors looking at smaller deals than ever before, we predict that 2015 will be one of the most active M&A years in the beauty industry, while forcing founders and buyers alike to focus on execution and health.

SO, WHAT DOES THIS MEAN TO YOU?

The industry is alive and change is good. It creates opportunities. But, the fundamentals never change. Healthy, profitable businesses still make the world go ‘round and if you want to end up in our report someday, then focus on creating value, filling a need, and getting customers to return to your brand again and again.

2015 is sure to be hot. Our eye is on the entrepreneurs.
WHAT WE DO

We work with brands to position them for growth, financing, and sale.

We create tactical roadmaps to guide their business by articulating WHAT goals to focus on, WHY they matter, and HOW to plan and execute towards achieving them. They are literally action plans for branding, distribution, marketing, and operations with a clear view of the financial impact on decision making and execution. And, if you need us, we’re here to help transition plans into execution, too.

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