Beauty & Personal Care Sector

M&A International Inc. Webinar
April 21, 2016
1. Introduction to Intrepid Beauty & Personal Care Practice
2. Market Overview
3. Deal & Valuation Landscape
The beauty and personal care sector represents a core power alley for Intrepid.

**Significant Experience**
One of the leading sell-side middle market M&A firms in the beauty and personal care industry

**Sector Knowledge**
Deep understanding of trends and value-drivers across the sector

**Acquiror Knowledge**
Current knowledge of and ongoing dialogue with the logical acquiror and investor universe

**Strategic Buyer Access**
Proven experience selling to large global strategic acquirors at precedent setting multiples

**Financial Buyer Access**
Track record of positioning brands to aggressive and value-added private equity partners

**Supportive Partner**
Active member of ICMAD and PBA

**Industry Resource**
Quoted resource to the industry on M&A and capital markets activity

**Active**
Multiple active M&A engagements in the beauty and personal care sector
“Davis observed that there is a growing number of strategic buyers who, although they have been quiet for the last few years, are ‘now dipping their toes back in the water in a very aggressive way’”

WWD – August 2014

“It is critical to understand how buyers view value in your beauty care sector or channel”

Beauty Industry Report – June 2014

“In terms of the volume of deals you’ll see an increase in the back half of 2013 and a material increase in 2014’ Steve Davis, Managing Director and Head of the Beauty and Personal Care practice at Intrepid Investment Bankers, predicts”

BW Confidential – December 2013

“We see private equity groups aggressive for good beauty care companies across all categories and channels. Beauty care remains an extremely attractive category for private equity groups as a whole”

WWD – May 2013

“All the fundamentals are in place for a breakout year. I just think it more likely will be 2014 as certain strategic buyers are still focused on internal issues and certain sellers remain on the sidelines waiting for a premium strategic deal to emerge,’ says Davis”

WWD – May 2013

“It is a phenomenally hot sellers’ market,” said Steve Davis, Managing Director and head of the Beauty and Personal Care Practice at Intrepid Investment Bankers. “We are anticipating a robust 2015 in terms of beauty care deals.”

CEW Beauty Insider – November 2014
Intrepid maintains strong relationships and active deal dialogue with the leading strategic and financial acquirors in the beauty and personal care sector.

*Select Parties That Participated in Intrepid Beauty Care Processes*

<table>
<thead>
<tr>
<th>Strategic Acquirors</th>
<th>Private Equity Investors</th>
</tr>
</thead>
</table>
Beauty and Personal Care M&A Experience

Beauty care products sold to professional salon channel

Masstige beauty care products sold to specialty and mass channels

LORAC
has received an investment from

encore consumer capital
in partnership with management

Too Faced
a portfolio company of

WESTON PRESIDIO
has received an investment from

GENERAL ATLANTIC

JD Beauty Group
has been acquired by
Markham Prestige Group
owners of

Pureology
purishine salon care

Pureology
a portfolio company of
TSG CONSUMER PARTNERS
has been acquired by
L’OREAL

L’ANZA dba

a portfolio company of
Caltius
has received a growth equity investment from
Wealthy Global Exchangers®
in partnership with Chief Executive Officer David Berglass

JOICO
and its subsidiaries
has been acquired by

Zeon
A subsidiary of

SHISEIDO

CHATTERS
HAIR BEAUTY SALON
has been acquired by

ONCAP
in partnership with the existing management team

Fantastic Sams
has been acquired by

Optimal
has been acquired by

CONAIR

High Ridge Brands
has been acquired by

GG Salon Group

product club
has been acquired by

Burmex

allegro
has been acquired by

Optimal
has been acquired by

Conair

Californian
has been acquired by

Beauty and Personal Care Group

*Transactions executed by Intrepid senior bankers at prior security firms

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Intrepid Team

Steve Davis, Founding Partner and Managing Director
Head of Beauty and Personal Care Group
• 20+ years of middle market M&A experience
• Previously served as Managing Director with Barrington Associates and Wells Fargo Securities, which acquired Barrington in 2006
• B.S. in Finance from the McIntire School of Commerce at the University of Virginia
• Significant M&A experience in consumer and beauty care products

Shahriar Attaie, Vice President
Member of Beauty and Personal Care Group
• 15+ years of M&A experience
• Previously worked in the strategic planning and corporate development group at Live Nation Entertainment, in the financial restructuring group at Houlihan Lokey and the distressed mergers & acquisitions group of Libra Securities
• B.A. in Economics from the University of California, Berkeley

Lauren Antion, Analyst
Member of the Beauty & Personal Care Group
• Joined Intrepid in 2015; Interned at Intrepid in 2014
• Previously worked at Herbalife International
• B.A. in History from Amherst College
1. Introduction to Intrepid Beauty & Personal Care Practice

2. Market Overview

3. Deal & Valuation Landscape
Global Beauty and Personal Care Industry

North America
Market Size: $87.6 billion
5-year CAGR: 2.7%

Western Europe
Market Size: $91.3 billion
5-year CAGR: (1.8)%

Asia Pacific
Market Size: $134.1 billion
5-year CAGR: 3.8%

Latin America
Market Size: $60.2 billion
5-year CAGR: (1.2)%

Middle East & Africa
Market Size: $25.5 billion
5-year CAGR: 4.5%

Source: Euromonitor as of 12/31/2015.
Note: 2015 Market Size; percentage represents market share.
Revenue by Category

- Hair Care: 15%
- Skin Care: 17%
- Color Cosmetics: 16%
- Oral Care: 8%
- Deodorants: 5%
- Fragrances: 8%
- Men's Grooming: 8%
- Sets/Kits: 6%
- Bath: 9%
- Baby: 4%
- Sun Care: 2%

Revenue by Channel

- Pharmacies / Drugstores: 15%
- Mass Merchandisers: 19%
- Department Stores: 12%
- Direct Selling: 7%
- Homeshopping: 2%
- Beauty Specialist Retailers: 9%
- Other Non-Grocery Specialist Retailers: 2%
- Grocery Retailers: 25%
- Hair Salons: 3%
- Internet Retailing: 6%

Market Size by Channel

- Mass Beauty & Personal Care
- Premium Beauty & Personal Care

Source: Euromonitor as of 03/31/2016.
Select consumer megatrends have impacted the beauty care industry.

### Bifurcation of the Consumer Base
- Consumer concerns remain given lingering economic headwinds
- Some consumers still looking for ways to pull-back spending
- However – affluent consumers increasing spend on luxury goods and aspiring consumers trading back up to prestige

### Changing Face of the Beauty Care Consumer
- Baby Boomers and thus America is aging
- Echo-boomers and tweens more knowledgeable and aware of the impacts and drivers of “aging”
- America is also becoming increasingly ethic and multi-cultural
- Males are increasingly image-conscious and aware

### Growing Reliance on Technology
- Media fragmentation is changing how consumers are reached
- Technology in turn is changing the way consumers shop and removing geographic boundaries
- Social media has shifted power and influence into consumer hands
- Rapid adoption of mobile commerce is driving next wave of change

### Increasing Sophistication
- Consumers now want it all – quality, functionality, service and price
- The need to understand benefits vis-à-vis price is paramount
- Consumers are willing to move up and down the value-chain depending on quality and performance delivered

### Demand for Healthy and Natural Products
- Focus on appearance of youth
- Desire to avoid synthetic ingredients and chemicals – and to seek a more holistic approach to beauty
- Movement to green and sustainable products and packaging
- Product advancements and widening distribution driving growth
Shifting Retail and Distribution Landscape

The retail and distribution chain is shifting strategies to deal with the new consumer landscape and increased competition – and as a result is becoming increasingly blurred across channel lines with defined channel leaders.

**Food / Drug / Mass**
- Consolidation has occurred – currently dominated by a few players in each format
- Significant retailer power as a consequence
- Beneficiary of improving value-oriented products and trading down phenomenon
- Increasingly competitive among mass-oriented formats
- Adding services to attract beauty consumer and private label options to drive profitability

**Department Store**
- Traditional channel for prestige beauty care
- Low growth and poor performance has led to significant consolidation
- Prestige manufacturers have diversified away from channel
- Experimenting with open-sell formats to re-capture younger consumers
- Fundamental shift of consumers to specialty and on-line concepts

**Salon / Specialty**
- Historically well protected channel reliant on education and exclusive products
- Diversion and improved retail products have eroded barriers
- Emergence of salon-style retail and store based concepts have further blurred the channel
- Significant consolidation at the distributor level

**Direct-to-Consumer**
- Increasingly “legitimate” and diverse channel base
- Historically important to skin and cosmetics but increasing penetration in hair care
- Success has forced large players to join in the direct-to-consumer race
- Will continue to grow and morph given consumer focus on convenience and technology

**Select Channel Winners**
- CVS
- Target
- Walmart
- Walgreens
- Sephora
- Nordstrom
- Neiman Marcus
- Sally Beauty Supply
- Salon Centric
- Ulta Beauty
- Derm Store
- Amazon
- Intrepid
Beauty care manufacturers have in turn adopted new strategies to drive revenue, increase market share and capture the beauty care consumer.

**Innovate and Differentiate**
- Packaging
- Delivery Systems
- Ingredients
- Technology

**Consolidate**
- Unilever
- Henkel
- Sexy Hair
- Kenra
- Revlon

**Target and Expand**
- International
- Channel
- Product Category
- Consumer Segment

**Adapt to Change**
- Advertising Methods
- Customer Outreach
- Buying Patterns
- Social Media
Consolidation Continues to Reshape the Beauty Care Industry

Significant acquisition activity over the last decade has enabled consolidators to expand revenue base, diversify across product categories and channels, and re-claim some leverage in the distribution chain.

<table>
<thead>
<tr>
<th>Acquirors</th>
<th>Targets</th>
</tr>
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<tbody>
<tr>
<td><strong>ESTÉE LAUDER</strong></td>
<td>Kultan (2016)</td>
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<td>Dr.Jart+ RT (2015)</td>
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<td>GLAMGLOW (2014)</td>
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<td></td>
<td>smashbox COSMETICS (2010)</td>
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<td>Ojon (2007)</td>
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<td>DARPHIN PARIS (2003)</td>
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<td></td>
<td>Bumble and bumble. (2000)</td>
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<td></td>
<td>Jo Malone LONDON (1999)</td>
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<td></td>
<td>Aveda® (1997)</td>
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<tr>
<td><strong>COTY</strong></td>
<td>hypermarcas (Announced)</td>
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<tr>
<td></td>
<td>(43 Brands) (Announced)</td>
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<tr>
<td><strong>kao</strong></td>
<td>DR. SCHELLER® COSMETICS AG (2014)</td>
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<tr>
<td></td>
<td>TJOY (2010)</td>
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<tr>
<td></td>
<td>O·P·I (2010)</td>
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<td></td>
<td>philosophy (2010)</td>
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<tr>
<td><strong>L’ORÉAL</strong></td>
<td>Kanebo (2005)</td>
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<td></td>
<td>Molton Brown LONDON (2005)</td>
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<td></td>
<td>John Frieda® Collection LONDON PARIS NEW YORK (2002)</td>
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<td></td>
<td>KMS California (2002)</td>
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<td><strong>P&amp;G</strong></td>
<td>NYX (2014)</td>
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<td>Decléor CARITA PARIS (2014)</td>
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<td>Urban Decay (2012)</td>
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<td></td>
<td>Clarisonic® (2011)</td>
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<td>essie® (2010)</td>
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<td>YSL Beaute (2008)</td>
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<td></td>
<td>Pureology® serious colour care (2007)</td>
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<td></td>
<td>SkinCeuticals® (2005)</td>
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<td></td>
<td>Kiehl’s (2000)</td>
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<tr>
<td><strong>Intrepid</strong></td>
<td>ZIRH (2009)</td>
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<td></td>
<td>NIOXIN® (2008)</td>
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<tr>
<td></td>
<td>Frédéric Fekkai® (2008)</td>
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<td></td>
<td>Clairol® (2001)</td>
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Private equity sponsors are actively investing and building platforms in the beauty care sector.

**Sponsor**

- ALLIANCE
- Brynwood Partners
- The Carlyle Group
- Castanea Partners
- encore consumer capital
- General Atlantic
- JHP Partners
- L Catterton
- LION Capital
- North Castle Partners
- NVP Norwest Venture Partners

**Portfolio Companies**

- NUDESTIX
- TATA HARPER
- rave
- V05
- Thymes
- LORAC
- MyChelle
- drybar
- L'URBAN DECAY
- TOO FACED
- Kate Somerville
- Steiner
- StriVectin
- PERRicone MD
- ghd
- MINERAL FUSION
- AYANA NATURAL PRODUCTS
- COMMANDER 7.
- PCA SKIN

**Sponsor**

- PATRIARCH PARTNERS
- stila
- jane.
- Star Avenue Capital, LLC
- Macadamia Natural Oil
- SWANDER PACE CAPITAL
- TA ASSOCIATES
- Paula’s Choice
- Tengram Capital Partners
- DevaCurl
- Laura Geller
- NEST
- TAFLY
- TPR HOLDINGS LLC
- ZIRH
- OASIS BLANDI
- TSO
- TSG Consumer Partners
- VMG Partners
- WestView Capital Partners
- yellowwood PARTNERS
- Intrepid

**Portfolio Companies**

- Tata Harper
- L'ANZA
- Closed Brands
- Beautycounter
- Avon
- COS Bar
- thisworks
- Beautycounter
- CARGO
- babyganics
- L'ANZA
- Closed Brands
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## Public Comparables – Beauty Care

$ in millions; as of 03/31/2016

<table>
<thead>
<tr>
<th>Company</th>
<th>Enterprise Value</th>
<th>Market Cap</th>
<th>Last Twelve Months</th>
<th>Revenue Growth</th>
<th>Enterprise Value / LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Revenue</td>
<td>Gross Profit</td>
<td>EBITDA</td>
</tr>
<tr>
<td>Beiersdorf</td>
<td>$18,491</td>
<td>$20,593</td>
<td>$7,634</td>
<td>58.3%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Coty</td>
<td>$12,658</td>
<td>$9,383</td>
<td>$4,276</td>
<td>60.9%</td>
<td>17.9%</td>
</tr>
<tr>
<td>Elizabeth Arden</td>
<td>$625</td>
<td>$245</td>
<td>$949</td>
<td>43.3%</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>Estée Lauder</td>
<td>$35,334</td>
<td>$34,760</td>
<td>$11,064</td>
<td>80.5%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Interparfums, Inc.</td>
<td>$909</td>
<td>$959</td>
<td>$469</td>
<td>54.6%</td>
<td>15.0%</td>
</tr>
<tr>
<td>L’Oréal</td>
<td>$99,671</td>
<td>$100,489</td>
<td>$28,838</td>
<td>71.2%</td>
<td>20.6%</td>
</tr>
<tr>
<td>Revlon</td>
<td>$3,403</td>
<td>$1,882</td>
<td>$1,914</td>
<td>65.2%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Shiseido</td>
<td>$9,101</td>
<td>$9,258</td>
<td>$9,095</td>
<td>74.2%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

**Mean**
- 63.5%
- 14.2%
- 3.5%
- 1.7%
- 2.2x
- 14.2x

**Median**
- 63.0%
- 16.4%
- (0.7%)
- 3.5%
- 2.2x
- 15.1x
The beauty care sector has outperformed the broader market over the last five years.

Source: Capital IQ as of 04/16/2016.

Comparable Public Company Historical Multiples

1. **Total Enterprise Value / Revenue Multiple**

   - Vertical axis: 0.5x to 2.5x
   - Horizontal axis: Mar-11 to Mar-16
   - 5-Year Average: 1.7x

2. **Total Enterprise Value / EBITDA Multiple**

   - Vertical axis: 6.0x to 18.0x
   - Horizontal axis: Mar-11 to Mar-16
   - 5-Year Average: 13.1x

*Source: Capital IQ as of 04/16/2016.*

*Note: Comparable public companies includes: NYSE:AVP, DB:BEI, NYSE:COTY, NYSE:REV, Nasdaq:RDEN, NYSE:EL, Nasdaq:IPAR, ENXTPA:OR, TSE:4911; Value weighted portfolio*
Global Beauty Care M&A Transactions

Announced Beauty Care Transactions by Quarter

LTM Beauty Care Transactions by Acquiror Type

Source: Historical transactions 3/31/2014 to 03/31/2016.
### Historical Transactions Observations – Product Category

#### Total Enterprise Value / Revenue Multiple

<table>
<thead>
<tr>
<th>Category</th>
<th>Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branded Beauty Care</td>
<td>2.4x</td>
</tr>
<tr>
<td>Color Cosmetics</td>
<td>2.2x</td>
</tr>
<tr>
<td>Hair Care</td>
<td>2.0x</td>
</tr>
<tr>
<td>Skin Care</td>
<td>2.9x</td>
</tr>
</tbody>
</table>

#### Total Enterprise Value / EBITDA Multiple

<table>
<thead>
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<th>Category</th>
<th>Multiple</th>
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<tr>
<td>Branded Beauty Care</td>
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<tr>
<td>Color Cosmetics</td>
<td>11.0x</td>
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<tr>
<td>Hair Care</td>
<td>11.6x</td>
</tr>
<tr>
<td>Skin Care</td>
<td>13.0x</td>
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</tbody>
</table>

*Source: Adjusted mean of historical transactions 1/1/2000 to 4/15/2016.*
Historical Transactions Observations – Channel Distribution

<table>
<thead>
<tr>
<th>Channel Distribution</th>
<th>Total Enterprise Value / Revenue Multiple</th>
<th>Total Enterprise Value / EBITDA Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Branded Beauty Care</td>
<td>2.4x</td>
<td>12.7x</td>
</tr>
<tr>
<td>Mass / Masstige</td>
<td>2.3x</td>
<td>12.9x</td>
</tr>
<tr>
<td>Prestige</td>
<td>2.6x</td>
<td>11.3x</td>
</tr>
<tr>
<td>Professional</td>
<td>2.4x</td>
<td>11.6x</td>
</tr>
</tbody>
</table>

Source: Adjusted mean of historical transactions 1/1/2000 to 4/15/2016..
Contact Information and Disclaimer

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