

M&A update

Personal Care & Beauty



Record M&A in Personal Care & Beauty

In 2019 M&A activity in the global personal care and beauty sector increased by 20% on the previous year. Volumes hit a record high in Q4, with 52 deals completing compared with 24 in Q4 2018.

The total number of transactions in 2019 was 163. The skincare category saw the highest level of activity with 47 acquisitions, the majority of which involved businesses with headquarters in North America.

Trade corporates are selectively acquiring differentiated brands that appeal to strategically important consumer demographics and are growing rapidly in modern channels or evolving product categories. Private equity investors have become particularly active in the sector as they recognise the high gross margins, strong repeat purchase and alternative sales channel opportunities for engaging brands.

Skincare – acquisition of Laboratoires Filorga by Colgate-Palmolive

Colgate-Palmolive first extended beyond its oral care / personal care heartland into professional skincare through its acquisition of PCA Skin and Elta MD in 2017. In July 2019, Colgate acquired Laboratoires Filorga for \$1.7bn, adding a significant platform in Europe and Asia with a well-orchestrated multi-channel operation across pharmacy, online, specialty retail and travel retail. This acquisition comes at a time of great demand for 'expert skincare'. Consumers are looking for professional endorsement from dermatologists, therapists and aestheticians, who understand how active ingredients deliver performance and can therefore authenticate brands that deliver the highest level of efficacy.

Haircare – VMG investment into Briogeo

In July 2019, the consumer-focused investor VMG acquired a minority stake in the North American haircare brand Briogeo. The prestige haircare products are sold predominantly in specialty retail and online. Briogeo is an ingredient-led brand that was early to the 'skinification' movement, launching skincare products for your hair. Haircare is a major current focus for both corporate and private equity acquirers, and this deal has been followed by the notable acquisitions of Devacurl by Henkel and Olaplex by Advent International.

Colour cosmetics – acquisition of Morphe Cosmetics by General Atlantic

Morphe Cosmetics is one of the leading colour cosmetics brands to have evolved from its digitally native beginnings into a proven multi-channel business having extended its product range from beauty tools and accessories into a wider cosmetics selection. It has achieved this through a successful influencer-led programme that has included collaborations with the likes of Jaelyn Hill, Manny MUA and Jeffree Star. Earlier this year, General Atlantic invested in the brand giving it the firepower to extend its product range. It joins a growing portfolio of brands under General Atlantic's ownership, including Too Faced cosmetics and the European Wax Center.



M&A activity in the personal care and beauty sector remained strong throughout 2019. There have been significant transactions within skincare, and despite deal volumes in colour cosmetics decreasing compared to 2018, there are still transactions of note that are shaping the market.

Global corporates have competed to acquire the hottest brands such as Elemis, Drunk Elephant and Tatcha, while private owners continually seek the added-value brought by sector-informed, experienced private equity investors in both North America and Europe.

We forecast that this strong activity will continue throughout 2020, with particular interest in haircare, medically-led skincare and personal care brands with a functional wellbeing positioning.

MATTHEW WISEMAN,
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Selected consumer transactions advised by Alantra

  INVESTMENT FROM  	  ACQUISITION  	  SALE TO  
  SALE TO  	  ACQUISITION  	  INVESTMENT  

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