With 91 deals announced or completed in the Personal Care Products & Services industry year-to-date (YTD) 2018, merger and acquisitions (M&A) activity is poised to exceed or match that of 2017. This year, historic levels of consumer confidence and per capita disposable income have strengthened demand for personal care products & services. Capstone Headwaters’ Personal Care Products & Services public company index indicates average revenue growth of 9.8% for the last twelve months (LTM) ending in September. Increased e-commerce availability and emerging social media trends are expected to support sales growth in the Personal Product market pushing value to approximately $200.9 billion by 2025, at a compound annual growth rate (CAGR) of 4.58% from 2016 to 2025, according to Grand View Research.1

The Personal Care Products & Services industry’s is highly fragmented and has historically seen dominant M&A activity among companies that provide skincare/bodycare and supplements products. In YTD 2018, the Skincare/Bodycare and Supplement segments have accounted for the majority of transactions, accounting for 31.9% and 17.6% of deal volume, respectively. Notable deals within these segments include Procter & Gamble’s (NYSE:PH) acquisition of First Aid Beauty (July 2018, ~$250.0 million) and BioNutrients acquisition of AGroSport (June 2018).

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In line with the overall Consumer Products industry, the Natural & Organic Personal Care Products segment has experienced heightened demand due to an increased emphasis on health and wellness as well as the emergence of scientific research connecting toxic chemicals in products with detrimental health effects. By 2026, the global Natural & Organic Personal Care Product Market is expected to reach $26.7 billion representing a CAGR of 11.1% from 2018 to 2026, according to Research and Markets. Continuing trends toward label transparency and health-conscious consumer preferences will perpetuate demand in this segment.

The strategic-driven M&A landscape has predominantly involved young target companies in the Natural & Organic Personal Care Product space. Younger companies, capturing social media trends and appealing to health-conscious consumers are becoming attractive to buyers looking to capture shifting consumer preferences. Capstone Headwaters has identified 29 transactions in the segment from 2017 to YTD 2018 and of that sample, 34.5% of target companies had been in operations for 10 or less years at the time of acquisition. Appealing to millennial tastes that support their natural, healthy lifestyles is expected to continue to drive acquisitions in the Natural & Organic segment.

Noteworthy deals representative of this trend include TA Associates-backed, MAV Beauty Brands’ (TSX:MAV) acquisition of Renpure, a provider of natural, plant-based haircare and bodycare products (May 2018, undisclosed). Renpure, 10 years into operations, expands MAV Beauty Brands’ portfolio with a well-established, natural personal care products brand. Renpure’s ability to capture social media traffic, drive sales through major retailers, and offer its natural products at a discount relative to the segment provides MAV Beauty Brands with an immediate value-add to its portfolio. Another transaction representative of this trend is Proctor & Gamble’s acquisition of Snowberry, detailed on the following pages.

The Supplement segment has also received interest among consumers and strategic buyers, alike. According to Grand View Research, the Global Dietary Supplements market is expected to reach $278.0 billion by 2024, representing a 9.6% CAGR over the forecast period from 2016 to 2024. Vitamin-based supplements are projected to account for 48.0% of the total value in 2024. According to the 2017 CRN Consumer Survey on Dietary Supplements, 76.0% of US adults are using dietary supplements. Driving this growth is the desire to maintain overall health and wellness that supports sufficient nutrient intake and healthy lifestyles.

Capstone Headwaters has identified a sample of 49 transactions from 2017 to YTD 2018, with 40.8% of targets acquired with 10 years or less of operations. Young brands with claims of increased health benefits are proving to capture attention from industry leading consumer products holding companies.

Johnson & Johnson’s (NYSE: JNJ) acquisition of Zarbee’s; Procter & Gamble’s (NYSE:PG) acquisition of Merck’s Consumer Health Business (detailed on the following pages); and The Clorox Company’s (NYSE:CLX) acquisition of Nutranext (March 2018, $700 million) a health and wellness company providing leading branded multivitamins, specialty minerals, and supplements through retail and e-commerce channels. Robust activity among industry leaders displays their preference toward inorganic growth rather than product development in order to capture health and wellness trends.
NOTABLE TRANSACTIONS

Several notable transactions have already been announced or completed in the Personal Care industry in 2018. Select transactions are outlined below, followed by a more comprehensive list on the following pages.

**Johnson & Johnson Consumer Inc. acquires Zarbee’s, Inc.**  
(July 2018, undisclosed)

Johnson & Johnson Consumer, an industry leading producer of over-the-counter (OTC) personal care and health products, has acquired Zarbee’s, a producer of naturally-based throat relief, vitamin, and supplement products serving babies, children, and adults. Terms of the transaction were not disclosed.

Founded in 2008, Zarbee’s Naturals is free of alcohol, drugs, and artificial flavors that have disrupted the cough, sleep, immune support, and vitamin market with its family-friendly products. The acquisition allows Johnson & Johnson’s Consumer portfolio to penetrate the natural, family-friendly OTC healthcare space, capitalizing on shifting consumer preferences.

“Zarbee’s is a values-driven company that was founded on and has achieved significant growth by meeting the evolving health needs of today’s families,” said Katie Devine, Global President, OTC Franchise, Johnson & Johnson Consumer Inc, in the press release. “As a global OTC leader, Johnson & Johnson Consumer shares in this vision and is committed to providing innovative healthcare solutions that satisfy the preferences of consumers.”

**New World Natural Brands Acquisitions**

New World Natural Brands (NWNB) is a holding company with a focus on micro-brands and niche companies in the Beauty and Personal Care segment. NWNB’s strategy is to accelerate portfolio company growth through acquired capital, expanded sales channels, and NWNB’s management team and expert network. NWNB has made two acquisitions in the space this year, highlighted below.

- **Suki Skincare (July 2018, undisclosed)**

NWNB has acquired Suki Skincare (Suki), a provider of natural and synthetic-free skincare products. Suki’s products focus on visible results for healthy aging, acne, rosacea, eczema, and psoriasis. The acquisition gives NWNB’s portfolio greater reach into the natural consumer market, while giving Suki strategic guidance for sustainable growth via capital investment, additional distribution channels, and professional resources.

Suki Kramer, President, Founder, and sole formulator said in the press release, “It’s exciting for me to join the New World Natural Brands team because we can bring Suki Skincare to larger audiences and people who have, like me, struggled with skin problems and tried everything out there! I am confident that this acquisition will give us more access and influence and will make the Suki experience even more positive going forward.”

- **Baetea LLC (March 2018, undisclosed)**

NWNB has also acquired Baetea, a health and lifestyle company that offers natural tea intended to reduce stress, boost metabolism, and increase energy as well as provides natural ingredient skincare, bodycare, and haircare products under the brand Baebody. Baetea’s extensive reach via social media and its e-commerce success, largely via Amazon, makes it a differentiated and trending brand in the Natural & Organic Personal Care Products segment. Baetea complements NWND’s portfolio and stimulate further growth in the business through expert brand management and channel expansion.
The Procter & Gamble Company Acquisitions

Founded in 1837, The Procter & Gamble (P&G) Company (NYSE:PG) is a multinational leading branded consumer packaged goods company. Its portfolio of 48 premier brands spans across five segments; Beauty, Grooming, Healthcare, Fabric & Home Care, and Baby, Feminine & Family Care. Its extensive sales channels reach over 180 countries through mass merchandisers, e-commerce, grocery stores, drug stores and pharmacies, department stores, distributors, wholesalers, baby stores, and specialty beauty stores. P&G has made three acquisitions in the space this year, highlighted below.

- **First Aid Beauty Ltd. (July 2018, ~$250.0 million)**

  First Aid Beauty (FAB), a manufacturer of cruelty-free beauty and skincare products that target skin concerns such as aging, acne dryness, dullness, and redness was acquired by P&G for an approximate $250.0 million. FAB serves its customers through e-commerce and major retailers such as Target, Walmart, Sephora, and ULTA and has products priced from $12.00 to $58.00. The acquisition provides P&G with an established mid-priced brand to complement its current brands; high-end priced SK-II and the mass-market low-priced Olay. Under P&G, FAB looks to increase its global footprint, access research and development resources, and explore new means of product development for which it had previously relied on third parties.

- **Consumer Health Business of Merck KGaA (March 2018, $4.2 billion)**

  P&G has acquired the Consumer Health Business of Merck, a Business consisting of 10 OTC vitamin, food supplement and women’s health brands, for approximately $4.2 billion representing a premium EBITDA multiple of approximately 19.5x, according to a Thomson Reuters article. Merck’s Consumer Health Business generates approximately $1 billion in annual sales from its 10 core brands, with sales channels in 40 different markets but not in the US. P&G has reported that the acquisition will prove to be a replacement for its terminated joint venture with Teva Pharmaceuticals, a provider of OTC healthcare products outside North America, allowing P&G to maintain geographic scale. The divestiture by Merck was also brought about by its desire to maintain focus on its Pharmaceuticals and Chemicals businesses as well as reduce Merck’s debt.

- **Snowberry New Zealand Ltd. (February 2018, undisclosed)**

  Snowberry, a New-Zealand based international provider of premium, natural anti-aging skincare products, has also been acquired by P&G. Snowberry’s products are sold in stores located in New Zealand, Germany, Netherlands, and China as well as to the international community via e-commerce and its logistics center in the US. Terms of the transaction were not disclosed. Snowberry sets itself apart from other skincare brands by investing in original science and bio-discovery and owning a plantation in New Zealand, known as Snowberry gardens. The plantation in the New Zealand rainforest is a source of bio-active and other exotic ingredients and is used to cultivate indigenous trees and plants known to contain resins, oils, and seeds – many of which to replace ingredients procured from other lands. The proven international brand is a renown innovator for anti-aging products, with plans to use P&G’s capital resources to advance and support its bio-discovery and research program at Snowberry gardens.
## SELECT TRANSACTIONS

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>Acquirer</th>
<th>Target Business Description</th>
<th>Enterprise Value (mm)</th>
<th>Revenue</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/13/18</td>
<td>Amazing Lash Studio</td>
<td>WellBiz Brands</td>
<td>Manufactures beauty care products including mascara, cleanser, and eyelash extensions.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>09/13/18</td>
<td>Amazing Lash Studio</td>
<td>WellBiz Brands</td>
<td>Manufactures beauty care products including mascara, cleanser, and eyelash extensions.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/28/18</td>
<td>Paris Presents</td>
<td>Freeman Beauty</td>
<td>Produces and distributes beauty products and personal care accessories for women.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/10/18</td>
<td>Goody Products</td>
<td>ACON Investments</td>
<td>Manufactures hair styling and tools and accessories.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>07/30/18</td>
<td>Zarbee’s</td>
<td>Johnson &amp; Johnson</td>
<td>Provides naturally-based throat relief, vitamin, and supplement products.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>07/27/18</td>
<td>Suki Skincare</td>
<td>New World Natural Brands</td>
<td>Manufactures natural skincare products.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>07/17/18</td>
<td>First Aid Beauty</td>
<td>Procter &amp; Gamble</td>
<td>Manufactures beauty and skincare products.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>06/13/18</td>
<td>LORAC Cosmetics</td>
<td>Markwins International</td>
<td>Manufactures and supplies cosmetics and skin care products for women.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>05/29/18</td>
<td>Derma E</td>
<td>Topix Pharmaceuticals</td>
<td>Offers natural skincare, bodycare, and haircare products.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>05/25/18</td>
<td>Pulp Riot</td>
<td>L’Oréal</td>
<td>Manufactures hair coloring products.</td>
<td>$15.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>05/09/18</td>
<td>FDC Vitamins</td>
<td>Arizona Nutritional Supplements</td>
<td>Produces and distributes vitamins, minerals, herbs, and nutritional supplements.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>04/24/18</td>
<td>Consumer Health Of Merck</td>
<td>Procter &amp; Gamble</td>
<td>Manufactures over-the-counter vitamin brands.</td>
<td>$4,200.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>03/29/18</td>
<td>Baetea</td>
<td>New World Natural Brands</td>
<td>Provides herbal tea made with organic ingredients.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>03/26/18</td>
<td>BioMed Laboratories</td>
<td>Scapa Group</td>
<td>Provides contract manufacturing of gels, creams, lotions, etc. for over-the-counter wound and skin care.</td>
<td>$32.0</td>
<td>3.1x</td>
<td>22.9x</td>
</tr>
<tr>
<td>03/16/18</td>
<td>Modiface</td>
<td>L’Oréal</td>
<td>Develops virtual makeover, skincare, anti-aging, and hair simulation technology solutions.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>03/12/18</td>
<td>Nutranext</td>
<td>Clorox</td>
<td>Develops and packages nutritional products including supplements and vitamins.</td>
<td>$700.0</td>
<td>3.5x</td>
<td>-</td>
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<tr>
<td>03/05/18</td>
<td>Quest Products</td>
<td>Promus Equity</td>
<td>Distributor of consumer packaged goods sold in retail stores.</td>
<td>CF</td>
<td>CF</td>
<td>CF</td>
</tr>
<tr>
<td>03/05/18</td>
<td>Clinere Products</td>
<td>Quest Products</td>
<td>Manufactures consumer ear cleaning practices.</td>
<td>CF</td>
<td>CF</td>
<td>CF</td>
</tr>
<tr>
<td>02/16/18</td>
<td>Treviso</td>
<td>Nu Skin Enterprises</td>
<td>Develops and manufactures personal care products.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>02/06/18</td>
<td>Snowberry New Zealand</td>
<td>Procter &amp; Gamble</td>
<td>Manufactures skin care products that include eye care, cleansing, and moisturizing products.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>01/19/18</td>
<td>Fragrance Design</td>
<td>Eurofragrance</td>
<td>Produces personal care fragrances and household fragrances.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>01/17/18</td>
<td>Health &amp; Beauty</td>
<td>America Great Health</td>
<td>Manufactures herbal supplements.</td>
<td>$1.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>01/05/18</td>
<td>Vita Liberta</td>
<td>Crown Laboratories</td>
<td>Manufactures spray tan products.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Capital IQ, Pitchbook and Capstone Headwaters Research
## PUBLIC COMPANY TRADING & OPERATING DATA

<table>
<thead>
<tr>
<th>Company</th>
<th>Price 09/26/18</th>
<th>% 52 Wk High</th>
<th>Market Cap</th>
<th>Enterprise Value</th>
<th>Revenue</th>
<th>EBITDA Margin</th>
<th>EV / LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coty Inc.</td>
<td>$16.28</td>
<td>64.2%</td>
<td>$12,188.6</td>
<td>$19,344.7</td>
<td>$7,650.3</td>
<td>13.5%</td>
<td>2.5x</td>
</tr>
<tr>
<td>The Estée Lauder Companies Inc.</td>
<td>$107.96</td>
<td>97.3%</td>
<td>$39,724.5</td>
<td>$41,570.5</td>
<td>$11,824.0</td>
<td>20.1%</td>
<td>3.5x</td>
</tr>
<tr>
<td>KOSÉ Corporation</td>
<td>$112.28</td>
<td>87.6%</td>
<td>$6,404.9</td>
<td>$5,819.3</td>
<td>$2,448.3</td>
<td>17.6%</td>
<td>2.4x</td>
</tr>
<tr>
<td>L’Oréal S.A.</td>
<td>$213.15</td>
<td>91.8%</td>
<td>$119,249.7</td>
<td>$121,002.2</td>
<td>$29,472.0</td>
<td>22.0%</td>
<td>4.1x</td>
</tr>
<tr>
<td>Oriflame Holding AG</td>
<td>$32.54</td>
<td>69.1%</td>
<td>$1,737.0</td>
<td>$1,786.6</td>
<td>$1,508.0</td>
<td>11.7%</td>
<td>1.2x</td>
</tr>
<tr>
<td>Revlon, Inc.</td>
<td>$21.85</td>
<td>57.6%</td>
<td>$1,149.6</td>
<td>$3,841.5</td>
<td>$2,646.1</td>
<td>11.0%</td>
<td>1.5x</td>
</tr>
<tr>
<td>Shiseido Company, Limited</td>
<td>$39.05</td>
<td>90.5%</td>
<td>$15,601.6</td>
<td>$15,765.5</td>
<td>$8,102.0</td>
<td>10.3%</td>
<td>1.9x</td>
</tr>
</tbody>
</table>

EV = enterprise value; LTM = last twelve months
$ in millions, except per share data

### Last Twelve Month Margin Performance

- **Mean**: 15.2%
- **Median**: 13.5%
- **Harmonic Mean**: 14.0%

### Last Twelve Month 1-Year Revenue Growth

- **Mean**: 17.1%

Source: Capital IQ and Capstone Headwaters Research as of September 26, 2018
FIRM TRACK RECORD

Capstone Headwaters’ professionals have represented clients across the Consumer Products & Services industry. This focus allows Capstone Headwaters to provide Personal Care Product & Service clients with real-time transaction feedback and immediate access to key decision makers among the industry’s most active acquirers and investors. A sampling of Capstone’s closed transactions is shown below.
CITATIONS


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David is a Managing Director in charge of the Western Region, based out of Orange County. Prior to Capstone, David managed the Western region for Morgan Stanley Smith Barney’s Capital Strategies Group and its predecessor, Citi Capital Strategies. David has focused on middle market investment banking for 32 years and has been the lead banker in over 250 M&A transactions involving both domestic and foreign corporate buyers, as well as leveraged recaps with private equity sponsors. David’s achievements in investment banking have gained national recognition by The M&A Advisor: one of his transactions was awarded the “Private Equity Deal of the Year,” while another was recognized as the “Energy Deal of the Year.” Mr. Bench has also been awarded “Middle Market Financing Professional of the Year,” an award recognizing M&A’s most accomplished professionals. Mr. Bench holds a BS and an MBA in Finance from Brigham Young University. He is a Series 7 and 63 Registered Securities Representative and a Series 24 Registered Securities Principal.

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Christopher has been engaged in the execution and advisory of mergers, acquisitions and strategic capital raises for over five years. Prior to joining Capstone, he was an associate with a boutique M&A firm focused on valuation, M&A advisory, corporate finance, acquisition target research and exit-planning strategy. His industry experience includes manufacturing, healthcare, TMT and consumer. Christopher was also a research analyst in the M&A department at United Capital Financial Advisors. He earned a BA from the University of San Diego. Christopher is a Registered Securities Representative having passed the FINRA Series 79 and 63 examinations.
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MIDDLE MARKET INVESTMENT BANK OF THE YEAR

2018
US - GAMECHANGER OF THE YEAR

2018
US - DEBT FINANCING ADVISORY OF THE YEAR

2017
MIDDLE MARKET INVESTMENT BANK OF THE YEAR

2017
US MIDDLE MARKET INVESTMENT BANK OF THE YEAR
Capstone Headwaters is an elite investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Capstone Headwaters provides merger & acquisition, private placement, corporate restructuring and financial advisory services across 16 industry verticals to meet the life cycle needs of emerging enterprises. Headquartered in Boston, MA and Denver, CO, Capstone Headwaters has 19 offices in the US, UK and Brazil with a global reach that includes over 300 professionals in 33 countries.

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