



WHAT YOU'LL FIND

- Current and projected M&A volume
- The trends driving consumer behavior in this category
- Why investors find this sector appealing right now
- What buyers look for in a target beauty and personal care (BPC) business
- What to think about before selling your company
- What to consider before acquiring a beauty and personal care business

INTRODUCTION

If you own a successful beauty or personal care business, you might be wondering how the market is trending, whether now is a good time to sell or recapitalize the company, and what you should consider before moving ahead. This guide can help.

MARKET OVERVIEW & TRENDS

Personalization

The beauty industry has seen a surge in demand for personalized products. This trend has expanded to include everything from skincare and haircare to makeup, where consumers can now create bespoke products like custom-blended foundation shades or serums. Subscription services offering personalized kits based on quiz results or ongoing data inputs also remain popular, boosting customer engagement and brand loyalty. Investing in personalization strategies means not only firms differentiating themselves in a crowded market but also gathering valuable consumer data that can drive future product development and marketing efforts.



MARKET OVERVIEW & TRENDS continued

Emergence of Hybrid Beauty Products

Consumers are increasingly seeking multifunctional products that combine the benefits of skincare, makeup, and wellness. This trend, often referred to as "hybrid beauty," caters to the demand for simplified routines and efficiency. For instance, products that blend sunscreen with anti-aging serum or combine foundation with skincare benefits are gaining popularity, think IT Cosmetics' Your Skin But Better CC+ Cream. Brands that can effectively merge these functions while maintaining high performance and quality are well-positioned to attract a broader audience. This trend is driving M&A as companies aim to enhance their portfolios with innovative hybrid products that appeal to busy, health-conscious consumers.

Rise of Beauty Tech Integration

Why is everyone suddenly using LED light therapy devices at home? The integration of technology into beauty and personal care products is transforming how consumers engage with brands. From AI-powered skin analysis tools to smart devices that deliver personalized treatments at home, technology is enhancing the consumer experience. Companies are investing in tech-enabled beauty solutions that offer tailored recommendations and more precise applications, which helps in building stronger consumer loyalty. Strategic acquirers are particularly interested in tech-focused brands that can provide unique, high-touch experiences, seeing them as essential for differentiation in a competitive market.



Clean Beauty

The clean beauty movement rapidly gained traction and continues to be present as consumers become more aware of the potential health risks associated with synthetic chemicals in personal care products. This shift in consumer behavior has driven demand for formulations that are free from parabens, sulfates, phthalates, and other artificial additives. Additionally, regulatory pressures and increased scrutiny over ingredient safety have pushed companies to reformulate existing products or develop new lines that align with clean beauty standards. Strategic acquirers are targeting these brands to tap into a growing market segment that prioritizes safety, simplicity, and transparency.

Sustainability

Brands that adopt eco-friendly practices—such as using biodegradable or refillable packaging, ensuring ethically sourced ingredients, and supporting fair trade—are winning consumer trust. Companies are responding to this demand by committing to sustainability goals, which include reducing water usage in production, minimizing plastic waste, and opting for renewable energy sources. The push for sustainability is not limited to product packaging; it encompasses the entire supply chain.

ACTIONABLE INSIGHT

There is a strong appetite for acquisitions of Contract Development and Manufacturing Organizations (CDMOs) and Contract Manufacturing Organizations (CMOs) which provide critical support to brands in managing sustainability and supply chain challenges across production, formulation, and packaging needs.

The beauty and personal care sector continues to thrive, with strong consumer demand for innovative products. This has made the sector particularly attractive for mergers and acquisitions, especially within the lower middle market. Similar to other consumer-focused sectors, beauty and personal care companies are seeing increased interest from both strategic acquirers and private equity (PE) firms looking to capitalize on these trends.

RECENT DEAL FLOW & MULTIPLES

M&A activity in the beauty and personal care sector has been robust, reflecting strong investor confidence and strategic efforts to consolidate market share. Companies with branded products tend to command higher valuation multiples due to their brand equity, intellectual property, and consumer loyalty. The median of recent deals EV / EBITDA multiples is ~14x, with premium brands typically achieving at or above this valuation multiples. Key factors influencing these valuations include brand strength, control over distribution channels, and demonstratable scalability.

HIGHLIGHTED TRANSACTIONS

DECIEM | ESTÉE LAUDER

Transaction Type: M&A
Transaction Closed Date: 05/31/2024
Transaction Value: \$860mm Estimated

- **Company Overview:** Estée Lauder acquired the remaining 24% stake in Deciem, parent of The Ordinary, a leader in clean, transparent, affordable skincare.
- **Rationale for Deal:** Strengthens Estée Lauder’s portfolio with science-backed, minimalist products appealing to younger, ingredient-conscious consumers.

carpe | tOpSpin CONSUMER PARTNERS

Transaction Type: M&A
Transaction Status: 08/20/2024
Transaction Value: Undisclosed

- **Company Overview:** Topspin Capital Partners acquired a majority stake in Carpe, a DTC brand specialized in antiperspirants and products for sweat management for the whole body.
- **Rationale for Deal:** Accelerated Carpe’s ability to enter channels such as brick-and-mortar amidst heavy competition.

BOOMERANG LABORATORIES, INC. | ELEVATION LABS

Transaction Type: M&A
Transaction Closed Date: 02/28/2024
Transaction Value: Undisclosed

- **Company Overview:** Elevation Labs, a Knox Lane portfolio company, acquired Boomerang Laboratories, a personal care contract manufacturer specializing in product formulation and manufacturing.
- **Rationale for Deal:** Boosts Elevation Labs’ production capacity and expands its footprint in the beauty manufacturing sector.

SUMMER FRIDAYS | TSG CONSUMER

Transaction Type: Unknown Stake
Transaction Closed Date: 07/25/2024
Transaction Value: Undisclosed

- **Company Overview:** TSG Consumer Partner’s invested in Summer Fridays, a skincare brand known for its clean, effective, and Instagram-friendly products, such as the popular Jet Lag Mask.
- **Rationale for Deal:** Supports Summer Fridays’ growth through scaling the brand’s presence in both domestic and international markets.

FACTORS DRIVING M&A IN BEAUTY AND PERSONAL CARE

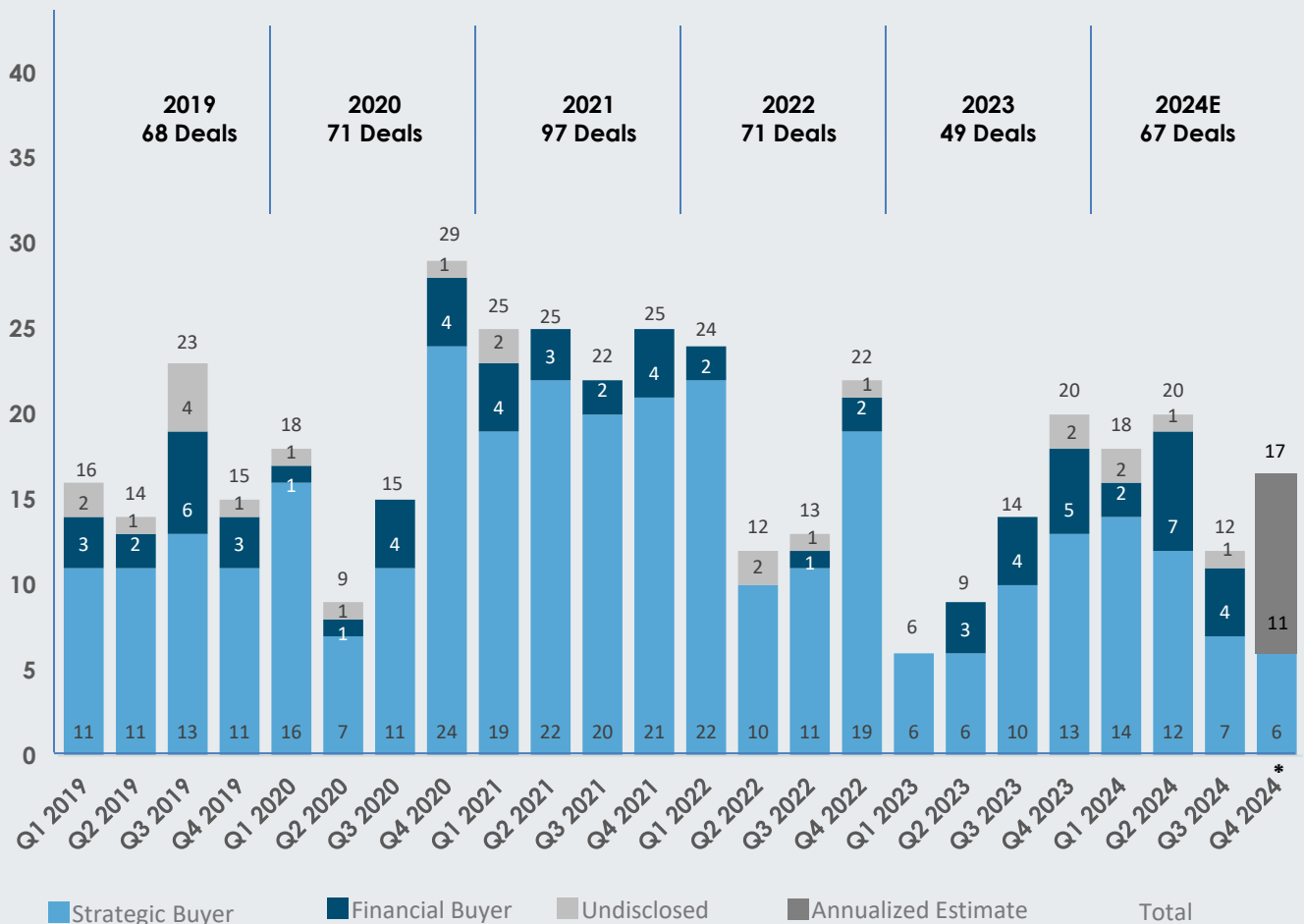
Business owners in the beauty and personal care sector may pursue M&A to overcome growth challenges or capitalize on market opportunities.

Common drivers include:

- **Expanding Product Lines:** Acquiring brands that complement existing offerings can help companies diversify and reach new consumer segments.
- **Enhancing Distribution Channels:** Companies with a strong omni-channel presence are particularly attractive targets for acquirers looking to broaden their reach.
- **Vertical Integration:** Some firms may seek to acquire manufacturers to bring production in-house, thereby improving control over quality and margins.



BEAUTY & PERSONAL CARE (BPC) M&A TRANSACTION VOLUME REBOUNDS



WHAT BUYERS LOOK FOR IN AN ACQUISITION TARGET

When it comes to mergers and acquisitions in the beauty and personal care sector, buyers are discerning about which businesses to pursue. Here are critical factors that can increase the attractiveness of a potential acquisition:

Strong Brand Identity

Buyers are drawn to brands that have established themselves as leaders in their niche. A strong brand identity is more than just a recognizable logo; it includes a well-defined value proposition, brand story, and loyal customer base. Brands that evoke trust and emotional connections are especially valuable, as they can withstand market fluctuations and foster customer retention. Buyers see this as a change to leverage the brand's reputation, thus reducing the time and cost it would take to build market presence from scratch.

Science-Backed Products

In an industry where consumers are becoming increasingly knowledgeable and selective, products with clinical validation and science-backed efficacy stand out. Companies that invest in R&D are seen as less risky and more reliable. This is particularly relevant in skincare, wellness, and haircare segments, where consumers often look for proven benefits. For buyers, acquiring brands with a strong scientific foundation means they can capitalize on these market demands, gaining credibility and potentially justifying premium pricing.

Forbes Partners acted as the exclusive advisor to Lumē Deodorant, a science-backed brand, on its sale to Harry's



Recurring Revenue Models

Brands that have successfully implemented subscription models or other forms of recurring revenue are highly appealing to buyers. This model provides predictable income streams, reducing volatility and ensuring a steady cash flow. Examples include monthly subscriptions, auto-replenishment services, or loyalty programs that encourage repeat purchases. Such business models not only offer financial stability but also provide deeper customer insights, which can help in refining product offerings and marketing strategies.

Sustainability Credentials

Companies that can demonstrate their commitment to eco-friendly practices are in a stronger position. Businesses with a proven track record of sustainability not only attract environmentally conscious consumers but can also benefit from regulatory incentives and reduced operational risks associated with unsustainable practices. Buyers, therefore, see acquisitions in this category as a way to future-proof their portfolio while appealing to a broader, socially responsible customer base.

Established Distribution Channels

Beyond online presence, brands that have secured retail partnerships or have strong ties with distributors have an advantage. Buyers seek firms with diversified distribution strategies, including physical retail, e-commerce, and DTC. Established relationships with retailers such as Sephora, Ulta, or other specialty stores can signal market acceptance and help in scaling the brand further. For DTC channels, having a solid e-commerce infrastructure and a smooth customer journey are essential elements that buyers consider when assessing the growth potential of a target business.

Digital and Social Media Footprint

In today's digital-first landscape, a robust online presence is non-negotiable. This includes not only a high follower count but also strong engagement rates, user-generated content, and influencer partnerships. Buyers recognize that a brand's ability to connect with its audience through social media can significantly boost brand loyalty and awareness, making it a strategic asset during acquisition.



OUR TAKE

M&A

- M&A activity will increase as high-quality deals come to market and the fed lowers rates
- Valuations will remain strong, especially in high-end and higher-end sectors due to stable demand and pricing power
- Financial sponsor activity will pick back up as capacity increases and rates become more favorable but Strategic buyers will continue to lead deal activity

HOW WE CAN HELP

Navigating M&A in the beauty and personal care sector requires deep industry knowledge and strategic insight. Our team at Forbes Partners has extensive experience in this space, helping clients achieve their financial and strategic goals through well-executed transactions.

Whether you're looking to sell, acquire, or raise capital, we can guide you through the process and help you achieve optimal results.

Regardless of the approach you take, it's important to plan well in advance of when you plan to exit so your business is likely the healthiest and best positioned to obtain the best terms.

F O R B E S
P A R T N E R S

Forbes Partners, founded in 2004, with offices in Denver, CO, Salt Lake City, UT, and Charlotte, NC, is an award-winning investment bank with expertise in mergers and acquisitions, raising capital, and financial restructuring within the middle market. Senior advisors at Forbes Partners have 250+ years and \$85+ billion of combined transaction experience across a wide variety of industries and around the globe. Forbes Partners has been recognized regionally as the M&A Firm of the Year for the past seven years. Visit Forbes-Partners.com for more information.

ABOUT THE AUTHOR

Cassie Dobos, Vice President



For more information, please reach me at
Email: Cassie.Dobos@Forbes-Partners.com
Phone: (303) 558.1379