



# Capstone Partners

Investment Banking Advisors

## PERSONAL CARE PRODUCTS & SERVICES

Q2 2014

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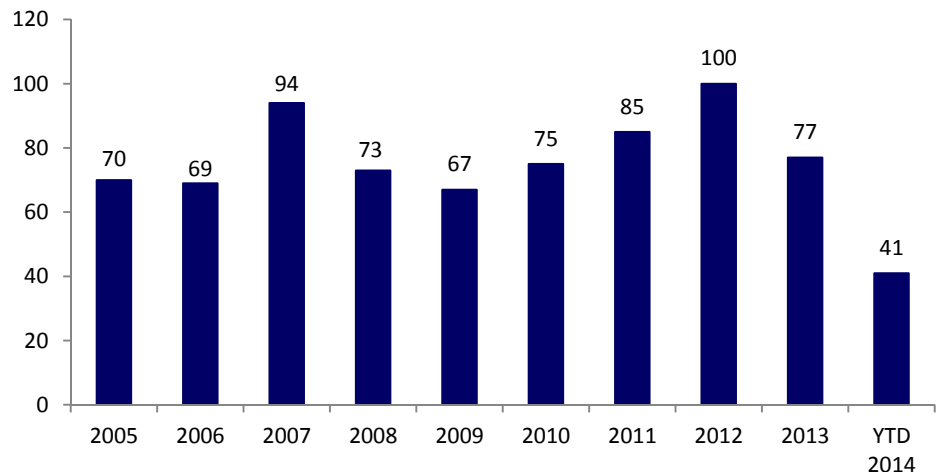
**SAN DIEGO**

**SILICON VALLEY**

### **MERGERS & ACQUISITIONS**

M&A activity in the personal care industry remains strong. Like most sectors, the industry experienced a decline in activity in 2013, as the impending capital gains tax rate increase artificially inflated the number of transactions in 2012 and, once implemented, contributed to a drop in 2013. Capstone's research shows that the number of transactions in the industry reached 77 last year, representing a 23% decline. Combining 2012 and 2013 results in an average of 89 transactions per year, a healthy figure and more indicative of the market had it not been impacted by the timing of the tax change. Year-to-date numbers for 2014 indicate that M&A activity in the sector has resumed, and the number of transactions is currently on-track to exceed the number of deals in 2012.

#### **Personal Care Industry M&A Transactions**



Sources: Capital IQ, Capstone Partners LLC research  
YTD 2014 data as of April 30, 2014

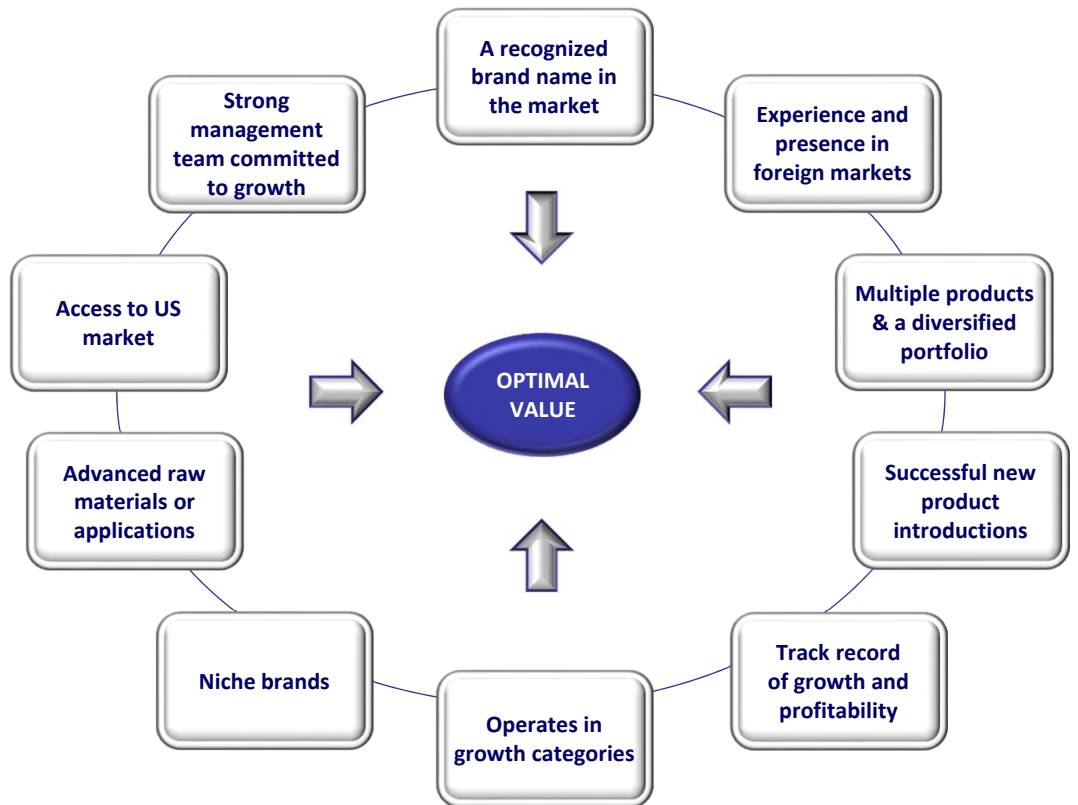
Improved economic conditions and healthy M&A market fundamentals are contributing to a strong level of M&A activity. Corporate buyers are looking to acquire businesses that promote their core strategic initiatives and help them to expand in a slow-growing economy. As a whole, these buyers are cash-rich, with large positions of cash on their balance sheets. Many are also enjoying healthy stock prices that can be used for acquisition currency.

Private equity groups are also actively acquiring companies in the industry. These firms are attracted to the fragmented nature of the personal care products industry and the long-term growth opportunities it offers. Private equity firms as a whole are flush with cash and have access to affordable debt financing if needed to support a transaction. Capstone expects middle-market companies in the industry to remain in high demand and M&A activity in the industry to be continue to be robust for the foreseeable future.

**MARKET OBSERVATIONS: VALUE DRIVERS**

Over the past six to nine months, we have been approached by an increasing number of private business owners in the personal care products & services industry who are beginning to plan for an M&A exit. As a group, these owners believe that now might be a good time to begin planning for an exit in the next year or two if M&A activity – and corresponding values – in the industry rise as expected. Furthermore, business owners have skipped an entire exit cycle waiting for conditions to improve and, demographically speaking, there is now a large contingent of owners who are of or approaching retirement age. We also consistently hear that entrepreneurs expect the industry to perform well for the next few years, and they know such conditions can be optimum for a business sale. With such dynamics in place, owners appear to be more keenly focused on pursuing either a full exit from the business or merely taking some “chips off the table” in the form of a recapitalization and with the intent to diversify their concentrated wealth management risk.

As an investment banking advisor to personal care products & services companies, Capstone is involved with entrepreneurs at various stages of their exit process – from pre-liquidity planning to deal execution and close. As part of the process, we work with shareholders to help them assess their relative market position, including relative strengths and weaknesses, in an effort to ultimately help maximize shareholder value. Within the personal care space, we find the following characteristics are attracting buyers to targets, and contributing to market value premiums for companies.



SELECT RECENT PERSONAL CARE PRODUCTS & SERVICES M&A TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
Apr-14	CornerStone Research & Development	F.H.G. Corporation	Manufactures dietary supplements.	-	-	-
Apr-14	P&G, DDF Skincare Business	SA Designer Parfums Limited	Manufactures skin care products, including anti-aging, acne and hyper pigmentation products.	-	-	-
Apr-14	NuStar Nutritional Manufacturing, LLC	Nutrognanics, Inc. (OTCPK:NUTT)	Provides nutritional supplement contract manufacturing services.	-	-	-
Apr-14	Tarte, Inc.	KOSE Corp. (TSE:4922)	Manufactures cosmetics.	\$144.4	-	-
Apr-14	Northwest Cosmetic Laboratories, LLC	Clearview Capital, LLC	Contract research, development and manufacture of cosmeceutical & personal care products.	-	-	-
Mar-14	Arminak & Associates, Inc.	Rieke Corporation	Manufactures packaging solutions for cosmetics, personal care, skin & body and hair care markets.	\$177.0	-	-
Mar-14	CellCeuticals Skin Care, Inc.	Histogen Aesthetics, LLC	Develops skin treatment and cleanser products.	-	-	-
Mar-14	The Bobby Company LLC	Denman International Ltd	Manufactures products for the professional beauty market worldwide.	-	-	-
Mar-14	PeroxyChem LLC	One Equity Partners LLC	Manufactures hydrogen peroxide, peracetic acid and other solutions for cosmetics and other markets.	\$200.0	-	-
Feb-14	The DeWolf Companies, Inc.	KODA Distribution Group, LLC	Distributes specialty chemicals to personal care, color cosmetics and other markets.	-	-	-
Feb-14	Miramar Dermatology	Adv. Dermatology & Cosmetic Surgery Inc.	Provides dermatology services.	-	-	-
Feb-14	JA Cosmetics Corp.	TPG Growth	JA Cosmetics Corp., doing business as e.l.f. Cosmetics, provides cosmetic and makeup products.	-	-	-
Jan-14	Bon Vital Inc.	Cramer Products, Inc.	Designs, manufactures and markets products for the wellness industry.	-	-	-
Jan-14	Biozone Pharmaceuticals	Muscle Pharm Corp. (OTCPK:MSLP)	Manufactures OTC drug, cosmetic and beauty products on behalf of third parties.	\$17.4	1.4x	-
Dec-13	Country Club Supply	'Fore' Supply Company	Provides locker room amenities and supplies for golf, tennis, spa, resort and professional sports facilities.	-	-	-
Nov-13	Aphena Health & Beauty	Le Papillon Ltd.	Manufactures and develops sampling vehicles for the color cosmetics and fragrance industries.	-	-	-
Nov-13	Asili LLC	John Paul Selects LLC	Manufactures and markets skin hydration products.	-	-	-
Oct-13	Feminine Hygiene Business	Energizer Holdings Inc. (NYSE:ENR)	Manufactures feminine hygiene products.	\$185.0	0.7x	-
Oct-13	BellaNovus Development Co.	Gebauer Company Inc	Manufactures medical syringe needles for cosmetic toxins and fillers.	-	-	-
Oct-13	Evolus, Inc.	Strathspey Crown LLC	Manufactures clinical neurotoxins used in cosmetic surgery.	-	-	-
Sep-13	Hair Couture	S.M. Entertainment Co. (KOSDAQ:A041510)	Produces hair extension products.	-	-	-
Sep-13	Premier Nutrition, Inc.	Post Holdings, Inc. (NYSE:POST)	Produces and sells nutrition products.	\$180.0	-	-
Sep-13	RegiMEN LLC	Vestiage, Inc. (OTCPK:VEST)	Manufactures anti-aging supplements for men.	-	-	-

SELECT RECENT PERSONAL CARE PRODUCTS & SERVICES M&A TRANSACTIONS (CONTINUED)

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
Aug-13	Chemsil Silicones and Chemtec	Innospec Inc. (NasdaqGS:IOSP)	Mfrs. specialty silicones to the personal care & cosmetic industries and distributes personal care ingredients.	\$57.4	1.4x	-
Aug-13	Salt Life Holdings, LLC	To The Game, LLC	Designs skincare and other products for surfers, free divers and fishermen.	\$37.0	1.9x	-
Aug-13	P. J. Noyes Company, Inc.	Nipro Diagnostics, Inc.	Provides contract manufacturing & packaging of nutraceuticals, OTC and personal care products.	-	-	-
Jul-13	Denison Pharmaceuticals	Brookstone Partners	Manufactures and supplies over-the-counter, prescription, cosmetic and veterinary products.	-	-	-
Jul-13	AmerElite Solutions Inc.	RegalWorks Media, Inc. (OTCPK:RWMI)	Manufactures, markets and sells skin care products in the United States.	-	-	-
Jun-13	Palomar Medical Technologies Inc.	Cynosure, Inc. (NasdaqGS:CYNO)	Manufactures lasers and related disposable items for use in dermatology and cosmetic procedures.	\$208.9	2.6x	-
Jun-13	The Radiant Creations Group, Inc.	Biodynamic Molecular Technologies, LLC	Develops various skin protection and hydration, anti-aging, weight balance and OTC products.	-	-	-
May-13	Essential Salon Products (Assets)	Beauty Systems Group LLC	Retail stores that sell beauty products including exclusive distribution rights to professional hair care brands.	\$15.7	-	-
May-13	Spongeables, LLC	Evriholder Products, LLC	offers cleansing, exfoliating and massaging and moisturizing spongeables.	-	-	-
Apr-13	Obagi Medical Products, Inc.	Valeant Pharmaceuticals	Develops, markets and sells topical aesthetic and therapeutic prescription skin care systems.	\$404.5	3.4x	19.5x
Apr-13	gloProfessional, Inc.	Swander Pace Capital	Provides skincare, makeup, hair care and body care products.	-	-	-
Apr-13	HC (USA), Inc.	Aderans America Holdings, Inc.	Provides wigs and hair transplantation services.	\$163.5	-	-
Apr-13	Summit Custom Spray Drying, Inc.	MVC Capital, Inc.: The Tokarz Group	Provides custom spray drying services for the pharma, nutraceutical, fragrance and other markets.	-	-	-
Mar-13	Pfanstiehl, Inc.	Med Opportunity Partners, LLC	Contract manufactures active ingredients for pharma, cosmetics and other markets.	\$24.9	10.4x	-
Mar-13	Zyma Brands in 19 Countries	Rottapharm S.p.A.	Manufactures Vitamin D and fluoride supplements for pediatric dental care.	-	-	-
Mar-13	Belmay, Inc.	Symrise AG (XTRA:SY1)	Manufactures and supplies fragrances in North America, Latin America, Europe, Africa and Asia.	-	-	-
Mar-13	Four Cosmetic Surgery Clinics	MyLooks, LLC	Operates four cosmetic surgery clinics in Orlando, Miami, Ft. Lauderdale and Boca Raton, Florida.	-	-	-
Feb-13	Sound Surgical Technologies LLC	Solta Medical, Inc. (NasdaqGS:SLTM)	Provides ultrasound liposuction procedures for cosmetic surgical applications.	-	-	-
Feb-13	Chattem, Inc., Bull Frog Brand	Sun & Skin Care Research, LLC	Manufactures skin care products providing sun protection.	-	-	-
Feb-13	Super Supplements, Inc.	Vitamin Shoppe Mariner, Inc.	Operates vitamin and supplement retail stores.	\$50.0	-	-
Jan-13	Botanical Laboratories, Inc.	Schwabe North America, Inc.	Manufactures and distributes nutritional supplements.	-	-	-
Jan-13	Mason Chemical Company	Pilot Chemical Company	Manufactures actives and prototype formulations for personal care and other markets.	-	-	-
















LTM = last twelve months; EV = enterprise value;

Sources: Capstone Partners LLC research; Capital IQ; public filings and press releases

CAPSTONE PARTNERS: COMPLETED PERSONAL CARE PRODUCTS & SERVICES TRANSACTIONS

 <p><i>has been acquired by</i></p> <p><b>ANAPHORA, LLC</b></p>	 <p><i>has been acquired by</i></p> <p><b>QUAD PARTNERS</b></p>	 <p><i>has been acquired by</i></p> <p><b>REGIS</b></p>	 <p><i>has secured financing from</i></p> <p><b>NEWVA CAPITAL PARTNERS, LP</b></p>
 <p><i>has been acquired by</i></p> <p><b>MILAN MILAN INSTITUTE</b></p>	 <p><i>has recapitalized with</i></p> 	 <p><i>has been acquired by</i></p> <p><b>REGIS</b></p>	 <p><i>has been acquired by</i></p> <p><b>REGIS</b></p>

CAPSTONE PARTNERS: OTHER CONSUMER PRODUCTS & SERVICES TRANSACTIONS

 <p><i>strategic joint venture</i></p> 	 <p><i>has been acquired by</i></p> 	 <p><i>has been acquired by</i></p> 	 <p><i>has been acquired by</i></p> 
 <p><i>has recapitalized with</i></p>  <p><b>BLACK CANYON CAPITAL</b></p>	 <p><i>has been acquired by</i></p> <p><b>Senior Members of Doc's Drugs, Ltd.</b></p>	 <p><i>has been acquired by</i></p> 	 <p><i>has been acquired by</i></p>  <p>a portfolio company of <b>NORDIC CAPITAL</b></p>

THE PERSONAL CARE PRODUCTS & SERVICES TEAM



**David Bench, Managing Director**  
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David is a Managing Director in charge of the Western Region, based out of Los Angeles. 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 nearly 30 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.



**Tracy Patch, Vice President**  
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Tracy is a Vice President in the Los Angeles office, supporting the management of the Western Region. Prior to Capstone, Tracy worked as a senior banking professional in Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. She possesses over ten years of experience in middle market investment banking, working on both domestic and cross-border transactions. Her previous finance experience includes working in the hedge fund industry with Collins/Bay Island Securities LLC and Talisman Capital Partners. Prior to that, Mrs. Patch worked with institutional fixed income sales at Vining Sparks IBG, LP and Robert Thomas Securities, Inc. She also was a manager at The Disney Company. Mrs. Patch holds an MBA from Pepperdine University and a BS in Finance from Miami University of Ohio. She is a Series 7 and 63 Registered Securities Representative.



**Daniel Schultz, Director of Business Development**  
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Dan oversees Capstone's national business development and industry coverage activities, working closely with current and prospective clients of the firm on matters related to corporate sales, recapitalizations, mergers & acquisitions and growth financings. In his role, Dan is able to deliver specific market intelligence to clients regarding M&A, financing, strategic, industry and competitive trends. Prior to spearheading the firm's business development and market initiatives, he was a Vice President in Capstone's M&A group, managing numerous successful transactions across a variety of industries. Dan also gained hands-on transaction experience as an investment banker at Headwaters MB. He started his career with Ernst & Young's National Professional AABS practice and later worked in Assurance and Advisory Business Services in the Denver office. Dan received a BE in Biomedical Engineering with a Business Minor from Vanderbilt University. He earned an MBA and a Master of Accountancy from the Daniels College of Business at the University of Denver.

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## ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including one in the Personal Care Products & Services industry. The firm also has a merchant banking capability to actively co-invest in transactions. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego and Silicon Valley.

For more information about our  
expertise, please visit  
[www.capstonellc.com](http://www.capstonellc.com)



**Capstone Partners**  
Investment Banking Advisors

World Class Wall Street Expertise. Built for the Middle Market