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The BGL Consumer Products Insider is published by Brown Gibbons Lang & Company, a leading independent investment bank serving middle market companies and their owners throughout the U.S. and internationally.

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Spotlight on Private Equity

What are some of the key trends and issues impacting the personal care industry? Where are the M&A opportunities within the sector? How is the current credit dislocation impacting deal activity, and how will the middle market fare?

BGL conducted a roundtable discussion with three private equity firms specializing in the consumer products industry to gain insight into these and other questions from the vantage point of an investor in the middle market.

We confirmed that while the recent economic and financial market turmoil have constrained the lending environment for deal making, transaction opportunities with high-quality middle market companies remain in strong demand. A large capital overhang has left private equity investors in search of places to put money to work. The appetite for investing in the personal care sector remains healthy, particularly for niche brands with proven science and product positioning that capitalize on favorable consumer trends.

Investing in the Middle Market: Personal Care

PARTICIPATING FIRMS



Encore Consumer Capital
Scott Sellers



Riverside

The Riverside Company
Meranee Phingbodhipakkiya

TSG CONSUMER PARTNERS

TSG Consumer Partners
M. Hadley Mullin

BGL Targets Health and Wellness

BGL's dedicated Consumer Products Group focuses on the health and wellness category with particular emphasis on several key segments:

- Cosmeceuticals / Personal Care Products
- Functional Food and Beverages
- Active Ingredients
- Nutraceuticals / Supplements

"Based on BGL's very recent experience within the health and wellness sector, strategic and investor interest for both capital raising and M&A remains strong for high quality, science driven companies that have proven efficacy and strong branding," commented BGL banker John Tilson.

Consumers today are actively seeking out product alternatives that promote overall health and wellness and offset the effects of aging. Perhaps now more than ever before, the adage 'beauty is more than skin deep' has taken on new meaning. There is a convergence of science and nature as well as beauty through nutrition. However, the consumer is ultimately placing the highest premium on efficacy.





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BGL: *Sidelined by the recent credit crisis, private equity has been left with a large capital overhang and is looking to put money to work. What areas within the personal care sector are likely to be more active from an investing perspective and why?*

Mullin: Given where the credit markets are and the fact that many, if not most, investments will be all equity or heavily equitized, private equity investors are going to have to believe that they can drive their returns through good old-fashioned growth. I think that the focus is therefore going to be on brands that can scale significantly over a three- to five-year period. That will often mean a couple of different things. For brands that are earlier in their life cycle, an investor can get comfortable with the growth trajectory if, for instance, the brand's current distribution is relatively immature. A brand such as this can grow through the recession just by virtue of expanding its now nascent or relatively nascent distribution. Finding brands of this sort has certainly been a focus for us. Additionally, I also think that you are going to see continued interest in brands that are focused on alternative distribution channels, including open-sell format retailers such as Ulta and Sephora, as opposed to brands that are overly-exposed to channels that are experiencing rapid traffic decline, like department stores. Private equity and strategic acquirers will be focused on those brands that have exposure to and experience in navigating the more attractive and higher-growth alternative distribution channels.

Phingbodhipakkiya: Companies and investors are going to capitalize on sectors that are growing, such as anti-aging skin care and natural and organic beauty, and on demographic groups that are expanding such as the baby boomers or the tween markets, or on strong brands with the ability to quickly grow. These areas will likely see increasing activity over the next several years.

Sellers: Where the growth has been recently and where long-term we think growth will still be is in the natural and prestige areas. We see a number of brands that are still growing in the prestige sector despite the economy. Brands that the large companies want to acquire are still, we think, going to come out of the prestige area as well as the natural area.

BGL: *What are some key consumer trends that will impact the personal care sector in coming years?*

COSMECEUTICALS/ACTIVE INGREDIENTS

Mullin: Today's beauty consumer has become all the more discerning and demanding of her beauty products, and she is becoming increasingly savvy about what various active ingredients deliver. We see women continuing to purchase products and continuing to purchase higher price point brands, but these women are demanding value from their products, particularly in this recessionary environment. Value is not a cheap price point per se; rather value is a product that really delivers results. On the cosmetics side, you are seeing an increased amount of fusion between skin care and cosmetics, as consumers demand expanded functionality from their products.

Phingbodhipakkiya: You are definitely seeing a lot more convergence of the personal care, pharmaceutical, and nutritional industries—cosmeceuticals, nutraceuticals, nutricosmetics—which are products that have been linking nutrition to skin care and body care products.

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The Riverside Company

Sellers: Anti-aging products are the biggest opportunity in women's skin care. That is where you are seeing efficacious products that have some science behind them—like what P&G is doing with its Oil of Olay products. I think that a lot of other companies will be looking at the efficacy and the technology behind those products and may be putting them in different formats and brands that will appeal to the different customer sets. That is what people want, and if the products are working, people are going to pay for them. There are great demographic trends, and the market is growing because there are better products now. Ten years ago when products did not work as well, the market was smaller because people could not see results. When people see results, they are going to pay a lot of money for those products.

NATURALS AND ORGANICS

Mullin: We are seeing increased retailer and consumer interest in naturals and organics. The important point about naturals and organics is that while the majority of consumers care about these things (and often care quite deeply), they still demand a product that works. There is still some segment of the consumer base that wants to see more offerings on





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the natural and organic side that deliver the same efficacy as their non-natural counterparts do. In other words, natural and organic products still need to deliver a threshold level of product performance, and that threshold appears to be rising.

Phingbodhipakkiya: Consumers want more products to be natural or free of synthetic ingredients, or if it is not completely natural, then it is pseudo-natural or naturally-inspired but not at the expense of efficacy. Botanical enzyme consumption has really increased, so consumers are looking for ingredients with natural extracts in them. Trends such as these are likely to drive new product development over the next several years.

Organic is important to consumers but probably not as important as natural. I don't necessarily think that there is a large segment of the population that will go all organic but rather is willing to settle for more natural-based products. I also think there is even the perception out there that certain organic products are not as efficacious, so that is a barrier that manufacturers and marketers are going to have to overcome in making sure that they prove that the performance is there.

Sellers: Two things that historically have not gone hand in hand and we think can be science and nature. Consumers are becoming more educated about what is in their products and are reading labels. So a focus on natural ingredients will continue. At the same time, science and technology have been helping to make products work better, so efficacy is just as important as ever. There are companies out there that are trying to combine very efficacious products with natural ingredients, and we see that trend continuing.

I think the jury is still out on how important organic is. Natural ingredients are important, but we are not seeing that the consumer is willing to pay more for organic or sacrifice efficacy in order to have the organic claim. You have to have a product that works.

GREEN CONSUMERISM

Mullin: Consumers are becoming less tolerant of excess secondary packaging. To the extent that there is a lot of information that needs to be communicated about a product, it can create merchandising challenges for brands. We have also seen consumers and retailers pay increased attention to what beauty companies do for the broader green movement at a corporate level (e.g., reducing carbon footprint throughout their supply chain).

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Phingbodhipakkiya: Sustainability is a huge trend across a number of industries which also applies to personal care. Consumers are trying to consider how green a product or company is in their buying decision. Specifically in personal care, there has been an increasing demand for more natural and organic ingredients. In addition, consumers are holding manufacturers accountable for using recyclable materials or packaging and for manufacturing products that are not harmful to humans, animals, or the environment.

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Encore Consumer Capital

MEN'S GROOMING

Mullin: Men's skin care is certainly a fast-growing category, but it remains quite small. We have not seen many independent brands scale above \$20 million to \$30 million dollars in revenue in the men's grooming category.

Phingbodhipakkiya: Men's grooming is a large trend right now across several segments—skin care, bath and shower,

and hair care. The male population in general appears to be becoming more image conscious. U.S. men in terms of these segments are less penetrated than their Western European counterparts. So, I think the lower penetration in the US will help continue to fuel the sector going forward here.

One of the angles being played is trying to find a fairly well-established brand to launch into the segment. I have not seen a personal care product company with most of its revenue concentrated in men's grooming. You may have onesie-twowie products that are offered within a product portfolio of a small company, but it is not a big focus. However, it is a growth segment, so people are trying to capture that.

Sellers: Because it has a high growth rate, a lot of people are talking about men's grooming and are looking for investment opportunities in the space. P&G has just made a couple of acquisitions there. However, there is not much else left in that universe, and it is a small market. The women's skin care market is 10 to 1 the size of the men's market, so it is really hard for men's brands to reach scale. If you want to go where the dollars are, you are going to focus on women's skin care.

EDIBLE BEAUTY

Mullin: We also invest in the food and beverage categories, and functional foods and beverages are receiving a lot of attention right now. When it comes to a beauty product that is a food or beverage purporting to improve the quality of your skin—I think that there is consumer





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interest in that, but there is still much product innovation to be done. Consumers are ultimately impatient. Most want to buy a product and see a difference immediately. One of the challenges that edible beauty faces is that it may take six to eight weeks to see an impact, whereas the more convenience-oriented consumer can pick up a lipstick and get an instant lift right then.

Phingbodhipakkiya: I have not seen any companies that are potential buyout opportunities that actually have that type of product line. In general, I think you have the larger companies that are leading that trend because they have more money in R&D to be spending on it. I have not seen it really trickle down to the smaller companies.

Sellers: I think right now to be organic and edible you are giving up too much in efficacy. That will not work in the long run. That is a pretty small market.

BGL: *How important are clinical studies in your evaluation of a brand?*

Mullin: We like to partner with brands that deliver best-in-class products to consumers. We therefore absolutely want to make sure that we are investing in businesses whose products are delivering true efficacy, and oftentimes that is demonstrated in clinicals. It is not a must-have, but if a company did not have robust clinical support, we may choose to invest in clinical research following the close of an investment.

Phingbodhipakkiya: It depends on how the company is positioning itself. For instance, if a cosmeceutical company that we are looking at is making some type of pharmaceutical claim, then we would want to see some type of clinical study or third-party research to back up that claim. However, having a clinical study is not a criterion we need to have in order to be potentially interested in a company. Ultimately, companies need to demonstrate they are delivering efficacious products.

Sellers: Companies are going to have to prove efficacy rather than just say that a product works. The companies that can afford to invest in these trials are going to perform better than the ones that cannot. Some, not many, of the companies that we will be looking at will have done the clinical studies. If you can justify it or reach a certain scale, it becomes important.

BGL: *Considering consumer purchasing behavior in the context of this recession, which areas within the personal care sector have been more recession-resilient or will come away in a position of strength?*

Mullin: Brands that have a strong multi-channel exposure are likely to fare better in the current economic environment. Consumers are making

fewer trips to the mall but are still finding ways to get their products, so they may be buying more through the likes of a QVC, for example, or more over the Internet. We are seeing increased web purchases across all of our beauty companies. The web has the additional benefit of being a high margin channel.

Phingbodhipakkiya: Women with a deep emotional tie to how they look are not really going to be willing to give up those more affordable luxuries, so less discretionary items like skin care and cosmetic products will generally hold up better during a recession. The mass cosmetic market has always performed well or better during recessionary times, and you will continue to see that. However, you are seeing women trading down as opposed to the trading up phenomenon that has taken place over the past several years.

Anti-aging is a huge area of growth and has been a lot more recession resilient. I think that will continue to be the case as the baby boomer generation continues to increase as a percent of the U.S. population. That segment in particular is very sensitive about their appearance.

Sun care has also done really well, and I think it will continue to do well, primarily driven by the conversion of non-users who have not been using skin care products or sunscreen.

Natural and organic beauty products should also do well throughout the recession.

Sellers: Items that visibly affect appearance such as facial products are holding up well. This year we have probably looked at ten different companies that are in the prestige or specialty beauty space. We are seeing the results and data from these different companies. Some are holding up well and some are not.

BGL: *Considering consumer purchasing behavior in the context of this recession, which areas within the personal care sector have been the most vulnerable?*

Mullin: The more premium price points are more exposed in a recession. In these times, it is all the more critical for products to really deliver. If a product outperforms and is truly innovative in its category, it will continue to sell, even in this economy.

Vulnerable brands are those that have not broadened their distribution beyond channels that are experiencing significant traffic declines—e.g., department stores. Brands that are captive to these channels are going to be adversely affected just by virtue of the fact that traffic is down so substantially in those retailers.





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Phingbodhipakkiya: Anything that is not considered a necessity is probably at risk. One of the sectors that is most at risk is fragrances because the products are highly discretionary, and it is a mature and saturated market. You will see women who may not be willing to spend as much on prestige beauty products. That sector actually declined for the first time in ten years and is likely to be down for the next couple of quarters.

BGL: *Considering consumer purchasing behavior in the context of this recession, what has been the resulting impact on price points?*

Phingbodhipakkiya: It really depends on the segment. In anti-aging, consumers are going to be willing to spend more per product because there just are not as many substitutes. However, in cosmetics, consumers may not be willing to spend \$30 to \$50 on a compact or eyeshadow when they have other less expensive price points and there is not as much differentiation between products.

You are seeing declining price points. Trading down is a phenomenon you are seeing across all channels and product categories. Product volumes have also been increasing in private label. I just do not see that changing any time soon. I think in the longer term, consumers will be more willing to spend again once the economy rebounds.

Sellers: There has been a channel shift away from specialty and department stores towards mass and Internet. Within channels and within the SKU selection, the highest priced SKUs within a brand will not be performing as well as the lower-priced options. There will be some shifting to a less expensive super premium brand or to a smaller size that costs less. You will see the average price point per unit go down even if unit sales are holding up.

Consumers respond to price promotion more. If we have a price discount, we get a higher lift than we did a year ago. Consumers are looking for value and are waiting longer for sales.

In some parts of personal care, consumers will trade down to the value option, but when it really comes to the products that make them feel beautiful and better about themselves, consumers are still going to spend money there. They will go to a cheaper diaper before they go to a cheaper makeup. Personal care is one of the last places where consumers trade down, and it is where consumers still really value brands.

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BGL: *What is your outlook on the regulatory landscape for the personal care sector, and in which areas do you anticipate more hurdles going forward?*

Mullin: We predict there will be increased scrutiny on product claims.

Phingbodhipakkiya: I think U.S. cosmetics and toiletries will be adversely affected by stricter legislation on claims and ingredients. The authentication of ingredients (i.e., origin and traceability during the manufacturing process) and the definitional issue of natural versus organic are key regulatory issues in the personal care environment today.

Until there is a global definition of what is natural and organic, there will be huge consumer perception problems, which will dilute the legitimacy of the natural/organic claim. Globally, a meeting of the minds is probably several years out. However, in the U.S., hopefully there will be some type

of standard in the nearer-term due to the intense focus on the subject. My concern is that there are so many organizations with different organic seals—at least three or four—that it is going to cause even more confusion. It may be two to three years out before an agreement is even reached on a U.S. standard.

Sellers: We are really seeing ingredient restrictions and standards driven by customers, such as Whole Foods. You have a number of manufacturers led by Clorox, for example, that are trying to put forth an industry standard but have their own agendas. It is difficult to predict whether some of these standards will hold or whether there is going to be increased government regulation in terms of labeling and ingredients.

Natural is so hard to define. This country has not been able to come up with a definition yet, so to think that we can come up with a global solution does not sound realistic to me. There are so many different competing interests at work. Over the course of our investment horizon, we do not see it moving that quickly.

BGL: *What is your outlook for middle market personal care M&A for the remainder of this year and in 2010?*

Phingbodhipakkiya: Total M&A volume will probably continue to decline over the next several quarters. Debt financing has largely been unavailable for large transactions, and so we have seen a lot of private equity groups come down market and focus more on the lower- and

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The Riverside Company





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middle-market size transactions. We are also seeing more private equity groups focusing on doing small add-ons, so I think you are going to see the median size of deals also continue to decrease.

You are always going to see deals getting done with high quality companies; I think that the flight to quality trend is still occurring. So, for a high quality company, you have a lot of money chasing that company, and as a result, multiples have not really gone down for those types of opportunities.

BGL: *What deals will get done?*

Mullin: We expect to continue to see a number of minority investments that are growth equity in nature and have little to no leverage. For entrepreneurs, a minority partner can be a welcome source of capital to help them diversify their own wealth and/or inject some capital onto their balance sheets so that they can actually take advantage of this opportunity to take market share. Taking in an outside equity infusion can be a compelling path forward for many entrepreneurs.

Phingbodhipakkiya: In consumer products and personal care specifically, we are seeing a lot of corporate carve out opportunities. Public consumer products and personal care companies are trying to spin out non-core divisions or divisions that are losing money. Since they are trying to shed those assets, we are actually seeing reasonable multiples in those situations. We have also been trying to look at more take private opportunities, distressed companies, and corporate carve outs in order to put more money to work.

Sellers: Minority deals, in part, because there are fewer leveraged buyouts getting done; there is no “L” out there. Because there is still a large capital overhang, private equity groups are looking more at alternative investment types. We are looking at more minority investment deals than we were a year ago.

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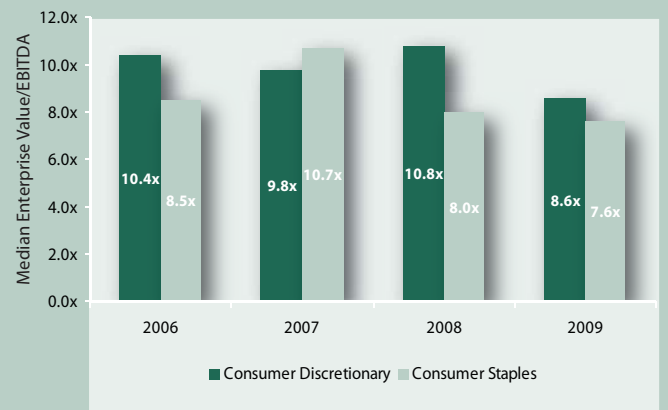
We are seeing a lot of companies that have invested in growing their brand and need some growth equity, and that is harder to come by right now. They cannot get debt financing or even lines of credit. Companies that were not necessarily planning on looking for an investor are now looking to fill a minority position and get some growth equity in there. The challenge is that those deals are hard to get done too. So, there may be some companies that may be forced to give up control.

Companies in the personal care sector used to quote their value on a sales multiple. I think private equity firms are less interested today in quoting value off of a sales multiple for a company that is making very little or no money.

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Consumer Products
Middle Market EBITDA Valuation Multiples



*Valuation data reported for the latest twelve months ending | July 31, 2009 for transaction values of \$500 million or less.

Source: Capital IQ.





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BGL: *How will deals get done?*

Mullin: Every deal is different. In many instances, we make a structured investment that includes an element of preferred equity; this is particularly the case in minority investments. One of the other key components of such deals is a mechanism for us to get liquid on our investment. In all of our investments, we spend a great deal of time understanding the existing shareholders' objectives. In some cases, an entrepreneur will come to us and say, "Help me grow this business over the next three to five years such that it is a must-have asset, and I sell to one of the large beauty strategics for all cash and I'm done." Others say, "I never want to sell this business, but I really would like to bring you on as a minority partner to help me take the brand to the next level. Perhaps I need your capital for an acquisition, but I don't want to get TSG liquid via an all-out sale." In that instance we might structure a share buyback through which the entrepreneur or existing shareholders buy out our equity position at a later date. At the end of the day, we are very flexible with respect to transaction structure, so can accommodate a variety of shareholder needs and objectives.

Phingbodhipakkiya: Generally speaking, in order to win deals sellers are really focused on having a no-financing contingency on the deal and certainty to close. These are two major drivers in getting deals under letter of intent.

The overhang of debt financings over the next several years is going to be a huge problem because there will not be enough liquidity in the market. As we are even contemplating doing all-equity financed structures to win certain deals, I do not know if the refinancing market is going to be there later because there is so much overhang.

Sellers: For some minority deals, private equity groups are getting more creative with terms. It is a minority deal, but there are many provisions and ways for the sponsor to exercise control and at some point even gain control. The deal may be structured with preferred stock, where the private equity group can increase its ownership and gain control if the company does not meet certain performance thresholds or there may be a put right on the minority interest.

BGL: *Where are lenders spending their time in the sector?*

Mullin: It is harder for me to comment on lenders because we have not made a leveraged beauty investment in this new environment. I will say that the lenders that currently provide financing to our beauty companies have been incredibly cooperative and supportive. I should caveat this by saying that these businesses are performing, so they may be the exception rather than the rule.

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Phingbodhipakkiya: Banks that are actually lending are being more selective in general, and many of them continue to raise their size threshold for companies on the smaller end of the middle market in which they are willing to invest. Their thought is that larger companies are more stable and will have more resources to be better able to sustain themselves through the downturn. You are seeing a lot of lenders, frankly, that are more focused on risk rather than yield at this point. There is a sweet spot though because companies with over \$50 million in EBITDA that may require a large club of lenders are also not getting debt financing easily these days.

I think all companies across all sectors are having trouble forecasting 2009 and beyond. And in this particular space where it is so consumer-driven, I think there is a whole other layer of uncertainty. I just have not seen as much senior debt interest in the sector as there was in previous years. Getting banks to look at more opportunities has been difficult because new product development is a big driver in a lot of the smaller personal care and consumer product companies. The traditional banks we work with that do not necessarily focus on consumer products would rather be looking at more stable sectors such as food, so it has been a little bit challenging in this particular space from a debt financing perspective.

Banks are definitely much more active—they are asking more questions, there is not as much cushion in covenants, and it is taking a lot longer to do diligence on deals to get to terms that you can agree upon. And we have to go out to a lot more potential lenders. Before it was fairly easy to get a deal closed by going out to just a handful of lenders. Now on certain deals you can go out to 20+ senior lenders.

Sellers: We have found that lenders do not like the prestige sector right now. There is an assumption by lenders and credit committees that high-end specialty products are not doing well. And even if a company's results are holding up, it is hard to get those deals financed because there is skepticism that they will not hold up.

BGL: *What are you seeing in terms of leverage and pricing in deals?*

Phingbodhipakkiya: Leverage multiples have definitely come down. You are not getting more than 3x/4x for senior/total debt on deals these days. For our deal size, they are more in the range of 2.5x/3.5x for senior/total debt. For us, that has not been a big problem. Traditionally, we have not really aggressively levered our companies even when credit was easier to come by, and we have always been able to get financing for a deal.





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Pricing is expensive. You are seeing Libor + 650–750 pricing and Libor floors of at least 3% these days. Mezzanine is very expensive with yields of nearly 20%. We have had to get creative in order to get deals done because there is a valuation gap, so earn outs and seller notes are more frequent. Equity capitalization as a percent of total capitalization is up with 50% to 70% of equity in each deal.

Sellers: If you find a lender that likes a company, you may be able to get 2x senior and a turn of mezzanine.

BGL: *Please comment on recent portfolio investment(s) in personal care.*

Mullin: We are looking for clear product differentiation and performance. We are looking for brands that can play across a multitude of distribution channels, and brands that we could see growing significantly over the next three to five years by virtue of expanded distribution, product line extensions, and entry into new markets. Smashbox Cosmetics is an example of a brand that we invested in relatively early in its lifecycle (we made a minority investment in the company in 2006). The team has since significantly expanded the brand’s points of distribution, expanded internationally, and broadened the product line. Consequently, the business has tripled in size in the approximately three years that we have been investors. That said, we are not exclusively focused on growth stories and investing in brands earlier in their lifecycle. We have made several investments in brands that were more mature and/or in distress. In such instances, we can get comfortable with an investment and see a pathway to accelerated or restored growth if we perceive true brand equity and product that truly delivers.

As for add-ons, we are not explicitly looking for add-on acquisitions right now. We tend to manage brands as individual investments in their own right, although certainly if the right opportunity were to present itself we would consider it.

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Phingbodhipakkiya: We have investments in consumer product companies overall but not specifically in personal care, although we have been looking at several opportunities in the space. We are always interested in strong niche, branded companies, with many brands, the ability to scale and that sell into multiple channels. More specifically, we have a keen interest in the dietary/nutritional supplement space as well as companies that play in the sustainability area. We are also trying to find something within personal care products and beauty that captures the growth of the Hispanic demographic.

Sellers: We are focused on science and nature coming together—where you have highly efficacious and natural-based products with strong science behind them. Product innovation is absolutely essential in personal care. If you are not developing, you are going backwards.

We are still seeing a number of innovative, growth brands come up through Sephora and other prestige accounts and are consistently having dialogue with new companies there. There are many companies in the \$5 million to \$15 million revenue range, and it is hard for them to break out of that box. We want to meet with those companies early on so that we are well positioned to get involved when it is clear that they are breaking out of that box. Specifically for MyChelle Dermaceuticals, we want to stay within natural personal care and would consider add-on opportunities that would expand us into a new product line with our existing customers or take a similar product line to a new channel base.

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Mergers & Acquisitions

Selected Consumer Products Industry M&A Transactions - Announced through August 2009

Personal Care and Household Products (North America)

(\$ in millions)

Announced	Target	Business	Acquirer	Enterprise Value
Jan-09	TIGI Product Business/Advanced Education Academies	Hair care products	Unilever plc	\$411.5
Jan-09	Global Vision Products, Inc. (Inka Avacor Products)	Hair care products and dietary supplements	Investor Group	n/a
Jan-09	Soothies Gel Pad Line (Puronyx, Inc.)	Nursing gel pads	Lansinoh Laboratories, Inc.	n/a
Jan-09	Lander Product Line (Ascendia Brands, Inc.)	Bath and beauty care products	Grand Brands LLC	n/a
Feb-09	Pacific World Corporation	Artificial nails and accessory products	Levine Leichtman Capital Partners	50.2
Mar-09	ITI Laval Inc.	Odor elimination products	Global General Technologies Inc.	2.5
Mar-09	Poshe USA LLC	Nail and hair care products	Undisclosed	n/a
Mar-09	Urban Decay Cosmetics, LLC	Cosmetics	Castanea Partners, Inc.	700.0
Mar-09	Johnson Products Co., Inc.	Ethnic hair care products	Rustic Canyon/Fontis Partners; St. Cloud Capital, LLC	n/a
Mar-09	Arthur Kaplan Cosmetics, Inc.	Men's personal care products	Savoy Energy Corp	n/a
Apr-09	Jamaica Jim, Inc.	Tanning and sunscreen products	myContactCard, Inc.	n/a
Apr-09	Stila Corp.	Cosmetics	Patriarch Partners, LLC	n/a
Apr-09	Mystic Tan, Inc.	Tanning and skincare products	MT Industries, Inc.	n/a
Apr-09	Sundari LLC	Ayurvedic skin and body care products	Wellness Systems LLC	n/a
Apr-09	Nutress Labs Inc.	Hair care products	Brown Beauty Care, Inc.	n/a
Apr-09	Vinothérapie Product Line (D'vine Inc.)	Natural skin care products	Undisclosed	n/a
May-09	Aphrodite Cosmetic Holdings Inc.	Cosmetics	General Electric Capital Corp.	185.7
May-09	Edge and Skintimate Shave Preparation Business (S. C. Johnson & Son, Inc.)	Edge and Skintimate Brand women's shaving gel products	Energizer Holdings Inc.	275.0
May-09	Wildwood Industries Inc.	Home filtration and floor care products	Flanders Corporation	3.6
May-09	China Green Creative, Inc. (fka Glance Inc.)	Organic body care products	Jiangxi Gen Industrial Co. Ltd	n/a
Jun-09	The Art of Shaving, LLC	Natural shaving products	Procter & Gamble Co.	60.0
Jun-09	Avon, Ohio Facility & Do-It-Yourself Brands (Henkel Corporation)	Duck, Painter's Mate Green and Easy Liner Brand office and houseware products	Shurtape Technologies, LLC	n/a
Jun-09	Jockey Club Brand (Caswell-Massey, Co. Ltd.)	Jockey Club Brand of personal care products	Genomma Lab Internacional SAB de CV	3.2
Jun-09	ZIRH Holdings, LLC	Men's skincare products	Procter & Gamble Co.	n/a
Jul-09	Promotional Products Division (Wisconsin Pharmacal Company, LLC)	Lip balms, candles, shimmers and glosses, hand sanitizer, and sunscreens and lotions	Raining Rose, Inc.	n/a
Jul-09	Neat Solutions, Inc.	Disposable infant or toddler care products	Hamco, Inc.	4.4
Jul-09	StriVectin-SD	Skin care products	Catterton Partners; Highland Capital Partners	n/a
Jul-09	Anticon Products Wiping Cloth Business (Milliken & Company, Inc.)	Contamination control products	Contec, Inc.	n/a
Jul-09	Collagen Skin Care Products, Inc.	Natural skin care products	Global General Technologies Inc.	n/a
Aug-09	PRESCRIBEdolutions, LLC	Medically-based skin care products	Biopelle, Inc.	n/a

Source: Capital IQ.





Mergers & Acquisitions

Selected Consumer Products Industry M&A Transactions - Announced through August 2009

Food & Beverage (North America)

(\$ in millions)

Announced	Target	Business	Acquirer	Enterprise Value
Jan-09	Sanford Coca-Cola Bottling Company	Soft drink bottling	Arbor Private Investment Company	n/a
Jan-09	Ceres Organic Harvest, Inc.	Organic food ingredients	Mach One Corp.	n/a
Jan-09	Value Spirits Brands (Constellation Brands Inc.)	Value Spirits Brand of spirits and other alcoholic beverages	Sazerac Company, Inc.	\$330.2
Jan-09	Cecchetti Wine Company, Inc.	Wines	Racke USA, Inc.	n/a
Feb-09	Gleukos, Inc.	Natural sports beverages	M&K Acquisitions	n/a
Feb-09	Fresh Made, Inc.	Dairy products	Lifeway Foods Inc.	11.5
Feb-09	New Mexico Piñon Coffee Co.	Coffee, tea, and cocoa products	CinFranky LLC	n/a
Feb-09	Chomp, Inc.	Pet treats, training products, and meal enhancers	Sergeant's Pet Care Products, Inc.	n/a
Feb-09	High Falls Brewing Company, Inc.	Specialty beers	North American Breweries, Inc.	n/a
Feb-09	Plum Organics	Frozen, organic baby food and toddler meals	The Nest Collective, Inc.	n/a
Feb-09	Angel Eyes Produce, Inc.	Organic vegetables	Sustainable Power Corp.	n/a
Feb-09	Labatt USA	Specialty beers	North American Breweries, Inc.	n/a
Mar-09	Flavors Specialties, Inc.	Flavors, herbs, herbal extracts, nutritional supplements, and specialty products	Frutarom USA, Inc.	27.0
Mar-09	Natural Harmony Foods Inc.	SoLean Brand soy bean and beef products	Heathrow Natural Food and Beverage, Inc.	n/a
Mar-09	Harvest Manor Farms, LLC	Nuts and snack foods	Ralcorp Holdings Inc.	59.2
Mar-09	Apple Valley Juice Corp.	Fresh and natural juices, fruit smoothies, and cider	A. Lassonde Inc.	1.2
Mar-09	Bar Harbor Brewing Co.	Specialty beers	Atlantic Brewery Company	n/a
Mar-09	A.T. Reynolds & Sons, Inc.	Bottled spring water, home and office water filtration systems, and coffee services	Boreal Water Collection Inc.	n/a
Apr-09	Ecce Panis, Inc.	Par-baked breads	Campbell Soup Co.	65.0
Apr-09	Blue Hills Spring Water Company, Inc.	Bottled water	Vermont Pure Holdings Ltd.	n/a
Apr-09	Austin, Nichols Distilling Co., Inc.	Alcoholic beverages	Gruppo Campari SpA	575.0
Apr-09	Organic Chef, USA	Natural organic food products including coffees, olive oils, and snack products	Fresh Harvest Products, Inc.	0.1
Apr-09	Bebida Beverage Company, Inc.	Bottled water	Potencia USA, LLC	n/a
Apr-09	Heartland Farms Inc.	Dairy products and juice beverages	Dean Foods Co.	90.0
Apr-09	GLA International Incorporated	Health energy drinks, powered drink mixes, and alkaline water	RBID.com Inc.	n/a
Apr-09	Pepsi Bottling Group Inc.	Carbonated soft drinks and ready-to-drink beverages	Pepsico, Inc.	14,410.7
Apr-09	PepsiAmericas Inc.	Carbonated soft drinks and ready-to-drink beverages	Pepsico, Inc.	6,001.6
Apr-09	The p.i.n.k Spirits Company	Caffeine and guarana infused spirits	Prohibition Beverage, Inc.	n/a
May-09	National Dairy Holdings, L.P.	Dairy products	Grupo Lala, S.A. De C.V.	435.0
May-09	Ugly Mug Coffee Company, LLC	Coffee, cocoa and tea products	Lambert's Coffee Service Inc.	n/a
May-09	Home Bistro Foods, Inc.	Preparation and delivery of cooked foods	Dinewise, Inc.	1.0
Jun-09	Fernando's and El Extremo Foodservice Brands (ConAgra Foods, Inc.)	Frozen Mexican food products	Foster Poultry Farms, Inc.	6.4
Jun-09	Renaissance Food Group LLC	Fresh-cut fruits, vegetables, and specialty products	The Really Cool Food Company LLC	n/a
Jun-09	Access Beverage, Inc.	Le Snoot, Mardi Gras, Bees Knees, and Simply RAW Vodka	Guangzhou Du Ye Trading Company Ltd.	n/a
Jun-09	L.A. Juice Company, Inc.	Brand wines and spirits	City Capital Corporation	n/a
Jun-09	F & A Dairy of California, Inc.	Smoothie beverage products	Saputo, Inc.	44.5
Jun-09	Bossa Nova Beverage Group, Inc.	Cheese products	Beverages Holdings LLC	n/a
Jul-09	Natural Nutrition, Inc.	Refrigerated fruit juices	YA Global Investments; Yorkville Advisors LLC	n/a
Jul-09	Boulder's Best Organics, Inc.	Natural Nutrition and iNutrition Brand health food and nutrition products	Investor Group	n/a
Jul-09	White Hat Brands, LLC	Organic food products	Mach One Corp.	n/a
Jul-09	Bogdon Candy Co. Inc.	Fortified juice beverages for children	Richardson Brands Company	n/a
Aug-09	Meat Snack Business (American Foods Group, LLC)	Candies	Monogram Food Solutions, LLC	n/a
Aug-09	Vitalita Nutritional Products LLC	Bull's, Hannah's, O'Brien's, and Dakota Brand meat snacks	AMI Brands, LLC	n/a
Aug-09	Olyana Holdings LLC	Embodi Brand functional beverages	Borelli Tea Holdings Ltd.	2.8

Source: Capital IQ.





Industry Valuations

(\$ in millions, except per share data)

Company Name	Country	Ticker	Current Stock Price (1)	% of 52W High	Market Capitalization (2)	Enterprise Value (3)	TTM Enterprise Revenue	TTM Enterprise EBITDA	Total Debt/EBITDA	TTM Revenue	TTM Gross Margins	TTM EBITDA
HOUSEHOLD PRODUCTS												
Church & Dwight Co. Inc.	United States	CHD	\$56.86	86.8%	\$3,997.4	\$4,490.1	1.8x	9.3x	1.8x	\$2,479.6	42.7%	18.9%
Clorox Corporation	United States	CLX	58.38	89.8%	8,135.1	11,078.1	2.0x	9.0x	2.6x	5,450.0	43.4%	22.5%
Colgate-Palmolive Co.	United States	CL	71.78	89.2%	35,777.1	38,983.0	2.6x	10.7x	1.0x	14,899.9	57.2%	24.4%
Energizer Holdings Inc.	United States	ENR	63.78	70.9%	4,426.7	6,838.9	1.7x	8.1x	3.4x	4,043.8	47.5%	20.8%
Henkel AG & Co. KGaA Vz	Germany	DB:HEN3	37.89	91.2%	16,410.0	21,480.2	1.1x	8.7x	2.8x	19,687.4	44.4%	12.2%
Kao Corp.	Japan	TSE:4452	25.85	73.5%	13,857.3	15,644.3	1.2x	8.2x	1.6x	12,942.4	56.4%	14.2%
Kimberly-Clark Corporation	United States	KMB	59.10	88.7%	24,496.5	31,095.5	1.7x	8.5x	1.7x	18,816.0	32.0%	18.6%
Newell Rubbermaid Inc.	United States	NWL	13.66	63.9%	3,793.4	6,406.6	1.1x	8.2x	3.9x	5,920.0	33.6%	13.1%
Procter & Gamble Co.	United States	PG	53.02	72.1%	154,765.6	188,280.6	2.4x	9.8x	1.9x	79,029.0	50.8%	24.3%
Reckitt Benckiser Group plc	United Kingdom	LSE:RB.	47.63	99.5%	33,998.2	34,840.6	2.9x	11.2x	0.6x	11,965.4	59.6%	25.8%
Median				87.7%	\$15,133.7	\$18,562.3	1.8x	8.9x	1.9x	\$12,453.9	45.9%	19.8%
Mean				82.5%	\$29,965.7	\$35,913.8	1.8x	9.2x	2.1x	\$17,523.4	46.7%	19.5%
PERSONAL PRODUCTS												
Alberto-Culver Co.	United States	ACV	\$26.62	90.5%	\$2,612.8	\$2,208.9	1.5x	10.4x	0.0x	\$1,434.8	51.1%	14.8%
Avon Products Inc.	United States	AVP	30.99	69.3%	13,231.2	14,705.9	1.5x	11.1x	2.0x	10,102.4	62.6%	13.1%
Bare Escentuals, Inc.	United States	BARE	9.00	68.0%	829.8	966.4	1.8x	5.9x	1.4x	534.0	72.7%	30.8%
Chattem Inc.	United States	CHTT	62.12	75.8%	1,181.3	1,563.2	3.4x	10.2x	2.7x	455.3	70.0%	33.6%
Beiersdorf AG	Germany	DB:BEI	50.03	76.7%	11,348.2	9,499.5	1.1x	9.3x	0.3x	8,160.1	66.7%	12.2%
Estee Lauder Companies Inc.	United States	EL	34.70	63.4%	6,825.4	7,406.3	1.0x	9.0x	1.7x	7,323.8	74.4%	11.2%
L'Oreal SA	France	ENXTPA:OR	95.17	85.1%	55,500.4	60,719.4	2.4x	12.9x	1.3x	24,763.3	69.6%	18.8%
Herbalife Ltd.	Cayman Islands	HLF	30.22	65.0%	1,864.4	1,996.9	0.9x	5.8x	0.9x	2,208.6	47.1%	15.6%
NBTY, Inc.	United States	NTY	36.37	95.2%	2,250.4	2,665.6	1.1x	9.1x	1.7x	2,509.4	43.2%	11.7%
Nu Skin Enterprises Inc.	United States	NUS	16.84	89.6%	1,060.4	1,103.1	0.9x	6.7x	1.0x	1,246.6	81.6%	13.2%
Shiseido Co. Ltd.	Japan	TSE:4911	18.16	63.8%	7,219.4	7,162.9	1.0x	9.6x	1.0x	6,912.4	74.9%	10.3%
Median				75.8%	\$2,612.8	\$2,665.6	1.1x	9.3x	1.3x	\$2,509.4	69.6%	13.2%
Mean				76.6%	\$9,447.6	\$9,999.8	1.5x	9.1x	1.3x	\$5,968.2	64.9%	16.8%
FOOD												
Campbell Soup Co.	United States	CPB	\$30.83	75.5%	\$10,800.3	\$13,321.3	1.7x	8.9x	1.7x	\$7,773.0	39.4%	19.3%
ConAgra Foods, Inc.	United States	CAG	20.12	97.5%	8,915.9	12,189.7	1.0x	8.0x	2.3x	12,731.2	22.3%	11.8%
General Mills Inc.	United States	GIS	59.21	82.2%	19,274.7	25,819.3	1.8x	9.3x	2.6x	14,691.3	35.6%	18.3%
HJ Heinz Co.	United States	HNZ	38.05	71.8%	11,992.9	16,840.9	1.7x	9.6x	3.0x	10,032.8	35.2%	17.6%
Kraft Foods Inc.	United States	KFT	28.07	80.3%	41,402.3	59,980.3	1.5x	10.0x	3.4x	40,909.0	33.8%	14.7%
Kellogg Company	United States	K	46.94	80.2%	17,970.6	22,867.6	1.8x	9.5x	2.2x	12,619.0	42.1%	19.1%
Nestlé S.A.	Switzerland	SWX:NESN	41.20	86.3%	142,980.3	163,400.1	1.6x	8.9x	1.3x	100,376.3	57.1%	17.0%
Sara Lee Corp.	United States	SLE	9.62	67.7%	6,692.2	8,575.2	0.7x	5.6x	1.8x	12,881.0	37.2%	11.9%
Median				80.2%	\$14,981.7	\$19,854.2	1.6x	9.1x	2.3x	\$12,806.1	36.4%	17.3%
Mean				80.2%	\$32,503.6	\$40,374.3	1.5x	8.7x	2.3x	\$26,501.7	37.8%	16.2%
BEVERAGE												
Cadbury plc	United Kingdom	LSE:CBRY	\$9.34	85.4%	\$12,765.3	\$15,643.5	1.7x	11.3x	2.5x	\$9,397.0	45.6%	14.8%
Constellation Brands Inc.	United States	STZ	14.47	61.6%	3,194.8	7,499.8	2.1x	9.0x	6.6x	3,514.4	35.8%	18.7%
Diageo plc	United Kingdom	LSE:DGE	15.75	90.7%	39,367.8	52,988.5	3.5x	11.2x	3.2x	15,320.4	58.3%	29.2%
Hansen Natural Corporation	United States	HANS	31.87	72.4%	2,888.4	2,575.6	2.4x	12.6x	0.0x	1,083.8	53.5%	18.9%
Pepsico, Inc.	United States	PEP	56.25	74.8%	87,637.4	94,165.4	2.2x	10.0x	0.9x	42,828.0	53.4%	21.2%
The Coca-Cola Company	United States	KO	48.53	87.0%	112,465.5	116,409.5	3.8x	11.9x	1.2x	30,955.0	64.2%	31.1%
Median				80.1%	\$26,066.5	\$34,316.0	2.3x	11.3x	1.9x	\$12,358.7	53.4%	20.1%
Mean				78.6%	\$43,053.2	\$48,213.7	2.6x	11.0x	2.4x	\$17,183.1	51.8%	22.3%

NOTE: Figures in bold and italic type were excluded from median and mean calculation.

(1) As of 9/2/2009.

(2) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(3) Enterprise Value is the total value of a firm (including all debt and equity).

Source: Capital IQ.





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has been acquired by



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Best Brands Corp.
a portfolio company of Brantley Partners
has acquired



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The J.M. Smucker Company

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foods



has been acquired by



ZOOTH

has been acquired by



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