

Spotlight on...

Matthew Wiseman, Partner, Corporate Finance, Alantra



L'Oréal recently announced their acquisition of Pulp Riot, showing there's no better time than 2018 to be investing in the newest indie brands making waves in the beauty industry. With new ingredients such as skin microbiome entering the market, new distribution channels like Snapchat and Instagram changing the face of ecommerce; investors and strategic buyers are becoming increasingly interested in partnering with the newcomers to the industry.

By Stephanie Wright

Following the recent announcement of the final 12 independent brands for Europe's first Beauty and Money Summit, I interviewed Matthew Wiseman, Partner at leading corporate finance firm, Alantra about his thoughts on the European beauty market and why now is the time to invest.

SW: Matthew, thanks again for agreeing to the interview, tell me, why is the EU Beauty industry so exciting right now and how does it differ from the US market?

MW: Traditional high-cost barriers to entry are so much lower than in the past which enables smaller, differentiated brands to compete and win against their larger, more established competitors. The channels to market are always evolving, helping new brands to succeed. We are now seeing traditional online fashion retailers such as OVS, ASOS and Zalando expanding their beauty offering to better compete with the more established online players such as The Hut, Feelunique and Cult Beauty. Meanwhile, European bricks & mortar retailers such as AS Watson, Douglas and Boots are refining their range of brands offered and improving the consumer experience in-store to follow the example of the likes of Ulta, Sephora and Target in the US, launching newer, fresher brands into the spotlight.

SW: How do these evolving sales channels contribute to the growth potential of small brands?

MW: If brands can truly engage consumers through a differentiated selling message, whether through ingredients, efficacy, technology, transparency or even tone of voice, they have the potential to generate very high levels of growth which go hand-

in-hand with the high gross margins, consumer loyalty and levels of repeat purchase that have long been associated with the beauty industry. Beauty is unusual compared to many other consumer sectors, as brands have a strong ability to grow outside of their home territory, through replicating their marketing and distribution strategy to build awareness, engage consumers and drive sales.

SW: How does this translate to M&A and the growing interest of acquiring small brands?

MW: There is an unusually high number of trade players with strong balance sheets looking to acquire growing brands that fit their category channel, target consumer and price point strategy, and there is strong interest to acquire in the EU from North America, Asia and Europe. There is a growing appreciation amongst the larger operators that they cannot be as fast, agile and flexible as smaller operators and therefore they must acquire to benefit from the fast growth that these brands are able to generate.

SW: How do the US and EU markets differ in this respect?

MW: One major difference is in the acceptance of private equity investment to support and expedite growth. In the US, the likes of TSG Consumer, Tengram and Castanea have a tangible track record that provides compelling evidence of the value they can add to an existing brand's team and how their experience and network of contacts can accelerate growth. This is less developed in Europe, however there are an increasing number of private equity houses bringing concerted focus and insight into the Beauty industry, that should change this.

SW: If we focus more on the EU market, which areas of the beauty industry are experiencing the fastest growth and why do you think that is?

MW: There are a number of particular areas of growth, many of which are underpinned by macro

or consumer themes. For example, brands with real integrity to their organic proposition and which are at the forefront of how this market will evolve in the coming years. Then we have wellness brands which are able to take traditional beauty categories and educate consumers of the functional wellbeing benefit that their products offer. Fast beauty brands are also appealing, as they are able to deliver the consistent, well executed 'newness' required by Gen Z and Millennial consumers. Finally, brands with professional or medical endorsement which are able to communicate their unique understanding of the science and ingredients and translate that into products with real efficacy are experiencing fast growth.

SW: The key themes you've pointed to are well represented amongst the final 12 chosen for our Beauty Spotlight. We're delighted to have you on the Selection Committee for Europe's first Beauty & Money Summit, but I'm keen to understand what

you are looking for from an indie brand? What ticks your boxes?

MW: When reviewing the applications for The Beauty Spotlight, differentiation and depth was critical. I'm always intrigued by a brand story that is new, or an evolution of a more traditional selling message. It's like peeling back the layers of an onion, the more you see and understand the brand, the more you believe in them. Conversely, I'm turned off by a brand whose story leads and finishes on a message that is tired, for instance 'a combination of nature and science' or 'the answer to all your hair care needs'..

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SW: I agree, I think a lot of new brands have used new channels like Instagram to build their story and a personality, which is what consumers want to see and appear to be engaging with more. So, if an indie brand is reading this, why do you think they should be attending the Beauty & Money Summit?

MW: It’s a great opportunity to hear from some of the most experienced and seasoned acquirers and investors in the industry, to hear the areas of the market they are most interested in and to dispel some myths associated with acquisition and investment. I’m impressed by the quality of attendees from the likes of Unilever, J&J and Henkel, plus the most active and experienced investors with a focus on Europe.

SW: When you put it like that it begs the question why would you not want to be there if you’re thinking of a partnership...if you’re excited surely, they should be too!? Final question, what’s your one piece of advice for indie brands when they are looking for investment?

MW: I’ll give two-for-one; be prepared and be yourself. Investors are ultimately backing people and the ‘magic’ they have developed, therefore they want to understand the vision that the owners see in terms of the brand, marketing, channels and geographies. To achieve this, the brand’s personality must come

through, which is something I look for in their marketing collateral and I’m looking forward to seeing at the summit on 28 June.

I think it’s safe to say Matthew is looking forward to the Beauty & Money Summit and meeting the Beauty Spotlight finalists, as well as other indie brands attending. He’s gave me some food for thought...international trade buyers and private equity investors are looking to the EU for acquisition or investment targets in beauty. I guess it makes sense, who knows the consumer better than the indie brands operating in that market..

If you’re an indie brand thinking of attending, remember ‘be prepared and be yourself’ some wise words from Matthew Wiseman.

Meet Matthew at Europe’s first Beauty & Money Summit, in Jumeirah Carlton Tower, Knightsbridge, on 28 June 2018. Tickets are selling fast.

Register online at beautyandmoneysummiteu.com