COSMETICS INDUSTRY IN EMERGING ASIA*

INVESTMENT OPPORTUNITIES & TRENDS

* Emerging Asia = China + India + ASEAN
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We are a Euro-Asian M&A firm with a “boutique” culture providing both strategic and financial advisory services ensuring excellence of execution thanks to our 100% in house offices and team.

Origination & Execution
- Paris
- Singapore

Origination
- Bangkok (Rep. office)
- Berlin (Affiliate)
- Shanghai
- Mumbai
OUR ADDED VALUE

Transaction Excellence

Execution capability both in Europe and Asia, ensuring 24/7 reactivity

Reactivity and Proactivity

Cross Border Expertise

Track Record

Solution driven

Optimising Your Investments

To accelerate companies growth and market shares in emerging Asia

MNC’s such as DANONE, BEL, KORRES
80 mandates executed
~45 LOI signed (55%)
~14 closing (30%)

All the advantages of an international M&A firm with a «boutique» culture

Tailor-made services & outside the box thinking

Multicultural team possess solid and an in depth expertise in cosmetics and emerging Asia

Sector & country expertise

Our Proprietary Databases

Over 5000 firms and over 500 PE, HNWI, family offices in our « in-house » database in Europe and Asia
OUR PROVEN METHODOLOGY

Each assignment is managed by one Team leader to optimize the process

We deliver a weekly report in line with our mandates. Milestones to optimize the momentum

We manage 100% of the Transaction coordinating the Process with the law firms, auditors …for our client benefit

Execution Excellence

We rely on our own proprietary research to process high value strategic & financial intelligence using the latest communication tools

Our mandates are on an exclusivity basis only, include fixed and success fee

Our mandates are tailor made structured in 3 phases consisting in:
(1) a preparation / documentation optimization,
(2) the approach, negotiation & LOI and
(3) the final offer & closing

We manage 100% of the Transaction coordinating the Process with the law firms, auditors …for our client benefit
COSMETICS

MARKET OVERVIEW & TRENDS
Western Europe’s developed and advanced cosmetic industry is at the helm of global cosmetics trends

Technologically Advanced Formulations
- Rising demand for technologically advanced benefits such as firming and wrinkle reduction (Cosmeceuticals)
  - e.g. Vichy Laboratoires, La Roche-Posay Laboratoire Pharmaceutique and Lierac

Large potential in Men’s Grooming
- 3% growth in 2010
- Growth supported by current low penetration and growing adoption of daily personal care
  - Western Europe represent 32% of global value
  - e.g. Nickel, Biotherm, Piaubert

Safety & Purity
- “Natural” and/or “Organic” products are growing in popularity across regions, and becoming mainstream
  - e.g. Mineral make-up (i.e. L’Oréal’s Bare Naturale, Almay’s Pure Blends)

Premiumisation over the long term
- Improving affluence in developed and emerging economies
- Brand loyalty is generally high in premium cosmetics

Source: www.beautypackaging.com, GCF Research & Analysis
Western Europe is the leading region in cosmetic innovations:
critical competitive edge for cosmetics players

- **Western Europe** is at the forefront of technologically advanced cosmetics formulations:
  - % share of global cosmetic patents has increased to more than 50% in recent years
  - Strong R&D expertise allows frequent launch of products with value-added enhancements and higher margins

Source: www.formulascan.com
A STRONG INDUSTRY IN EUROPE

Western Europe per capita expenditure ~ EUR 150 / year vs ~EUR 30/ year in emerging Asia

Main cosmetic* Market Value & Per Capita Expenditure 2012

- World largest market: Growth should remain moderate : +2.3% CAGR 2012-16
  - Some Niche segments are still booming: e.g. bio cosmetics = >+30% CAGR 2006-10

- Most of European Brands and products are designed and manufactured in order to be sold internationally
  - ~4000 SMEs and Brands in Europe are looking for growth driver market

* Cosmetics= colour cosmetics, skin care, sun care and hair care

Source: Euromonitor /Colipa Statistics Working Group, Eurostat International
A BOOMING INDUSTRY IN EMERGING ASIA

The global market for Cosmetics* = EUR 240 Bn in 2012 with Emerging Asia enjoying the most dynamic growth forecast (12%)

- Consolidated market: 6 major players >50% of the global cosmetic industry
- The global market is driven by emerging Asia:
  - India GDP growth rate = +8.5% in 2011
  - China = 90% is under 65 years old
  - ASEAN > 60% urban population

* Cosmetics= colour cosmetics, skin care, sun care and hair care
** ASEAN: = Vietnam, Thailand, Indonesia, Malaysia, Singapore, Philippines,
Source: GCF Research and Analysis, World Bank data, Euromonitor, Reportlinker report
COSMETICS

EMERGING ASIA FOCUS
China, India and ASEAN present 3 total different competitive landscapes

**China**  
The largest market  
- 2 local Companies in the top 15  
- Strong M&A activity from MNCs (e.g. L’OREAL/MININURSE, J&J/ DABAO and COTY/TJOY)  
→ Strong foreign presence  
→ Low market share available

**India**  
The youngest market  
- 2 local companies in the top 5  
- MNCs commitment is low (e.g: L’ OREAL: € 200 M sales vs € 1.8 Bn in China)  
→ Burgeoning market  
  • lack of infrastructure (road to market concern)  
  • low modern trade

**ASEAN**  
The hidden market  
- ~20 local companies with significant markets shares and sales between € 10 to 50M  
- Access to China and India  
→ Mature local firms looking for partners to grow overseas  
→ Highest consumption per capita rate in emerging Asia
CHINA

China Cosmetic market = EUR 19 B
(+12 % CAGR Forecast 2012-2016)
Per capita expenditure on Cosmetics per month: EUR 1.2

Market Split 2010-2015

- Skin Care = 46% of the global market in China in 2010 (50% by 2015)

Source: Euromonitor, Challenges
India Cosmetic market = EUR 5.5 B
(+14% CAGR Forecast 2012-2016)
Per capita expenditure on Cosmetics per month: EUR 0.15

Market Split 2010-2015

- Hair Care = 1st market = 30% of the market (35% by 2015)
- Skin Care = 2nd market = 15% of the market (20% by 2015)

Source: Euromonitor, Challenges
ASEAN Cosmetic market = EUR 8.2 B
(+9 % CAGR Forecast 2012-2016)
Per capita expenditure on Cosmetics per month: EUR 11.8

Market Split 2010-2015

- Skin Care represents 43% of the global market in ASEAN
- Hair Care = 2nd market in term of market size = 30%

Source: Euromonitor, Challenges
Make up and Skincare are part of **Asian tradition**

- **Numerous player**
  - Global reputed players: Europe, USA, Japan, Korea
  - Asian brands part of global groups
    - such as YUESAI (L'OREAL) TJOY (COTY) DABAO (J&J) C-BONS (BEIERSDORF)
  - Domestic players, sometimes expanding globally
    - such as HERBORIST (China), GODRESH (India), MUSTIKA (Indonesia)
  - Small players
    - around 5,000 producers in China > 95% of Chinese brands turnover < EUR 10M
    - Average size in ASEAN around EUR 25 to 100M
  - New comers: Para-pharmacy & Spa; pure web
    - Such as H&M, FUJIFILM...

- **In a fierce competition**
  - Cosmetics players are the largest advertiser
    - e.g. L'OREAL spent over EUR 1Bn in China in 2010
  - YVES ROCHER has over 550 outlets in France, 70 in China and 20 in ASEAN
  - COTY develop through TJOY in China and create a JV with LUXASIA in ASEAN

*Source: GCF Research & Analysis Team*
Increasing access to credit facilities in Emerging Asian Countries, coupled with Modern Trade development, will boost consumer spending.

Low Household Debt

- ASEAN + India total household debt = USD 863 Bn = 21x lower than in Europe

Source: GCF Research & Analysis Department, MPRA, Euromonitor
M&A TRENDS
## Comparable Multiples in Cosmetics

<table>
<thead>
<tr>
<th>Company</th>
<th>Company Overview</th>
<th>Turnover (M EUR)</th>
<th>Turn. Growth</th>
<th>EBITDA Margin</th>
<th>EV (M EUR)</th>
<th>EV/Sales</th>
<th>EV/EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNILEVER</strong></td>
<td>Consumer product manufacturer</td>
<td>23,600</td>
<td>+7.7%</td>
<td>15%</td>
<td>67,500</td>
<td>1.7x</td>
<td>11.0x</td>
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<tr>
<td>(NETHERLAND)</td>
<td></td>
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</tr>
<tr>
<td><strong>AVON</strong></td>
<td>Personal product manufacturer</td>
<td>7,500</td>
<td>+4.5%</td>
<td>12%</td>
<td>9,700</td>
<td>1.4x</td>
<td>10.7x</td>
</tr>
<tr>
<td>(USA)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td><strong>ORIFLAME</strong></td>
<td>Personal product manufacturer</td>
<td>1,500</td>
<td>+15.0%</td>
<td>12%</td>
<td>1,900</td>
<td>1.6x</td>
<td>13.1x</td>
</tr>
<tr>
<td>(LUXEMBOURG)</td>
<td></td>
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<tr>
<td><strong>SHISEIDO</strong></td>
<td>Manufactures and markets cosmetics,and toiletries in Japan</td>
<td>5,800</td>
<td>+4.0%</td>
<td>12%</td>
<td>5,500</td>
<td>1.3x</td>
<td>10.5x</td>
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<tr>
<td>(JAPAN)</td>
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</tr>
<tr>
<td><strong>L’OCCITANE</strong></td>
<td>Manufactures and markets cosmetic products</td>
<td>772</td>
<td>+44%</td>
<td>15%</td>
<td>2,100</td>
<td>2.8x</td>
<td>16.3x</td>
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<tr>
<td>(LUXEMBOURG)</td>
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</tr>
<tr>
<td><strong>SA SA Int.</strong></td>
<td>Retail and wholesale of cosmetic brand products.</td>
<td>420</td>
<td>+14.0%</td>
<td>13%</td>
<td>1,100</td>
<td>2.6x</td>
<td>18.5x</td>
</tr>
<tr>
<td>(HONG KONG)</td>
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<tr>
<td><strong>S&amp;J INTER.</strong></td>
<td>Cosmetics Manufacturer &amp; Distributor</td>
<td>145</td>
<td>+45%</td>
<td>13%</td>
<td>158</td>
<td>1.1x</td>
<td>7.9x</td>
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<tr>
<td>(THAILAND)</td>
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<tr>
<td><strong>MANDOM</strong></td>
<td>Manufacture and trade of cosmetics products</td>
<td>116</td>
<td>+3.9%</td>
<td>15%</td>
<td>128</td>
<td>1.1x</td>
<td>7.4x</td>
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<tr>
<td>(INDONESIA)</td>
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</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
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</thead>
<tbody>
<tr>
<td>EV/Sales</td>
<td>1.7x</td>
<td>1.6x</td>
</tr>
<tr>
<td>EV/EBITDA</td>
<td>11.9x</td>
<td>11.0x</td>
</tr>
</tbody>
</table>

- Median Multiple by Cap in 2010-2011*:
  - **Global Mega-Cap**
    - EV/Sales : 2.6x
    - EV/EBITDA : 12.9x
  - **Large and Mid-Cap**
    - EV/Sales : 1.6x
    - EV/EBITDA : 11.4x
  - **“Smaller” Cap**
    - EV/Sales : 1.4x
    - EV/EBITDA : 10.4x

* Median done with a sample of 30 cosmetics companies

Source: InFinancials, Capital IQ, GCF Research & Analysis
TRANSACTION MULTIPLES IN COSMETICS

<table>
<thead>
<tr>
<th>Date</th>
<th>Acquirer</th>
<th>Target</th>
<th>Business Overview</th>
<th>Deal Value (M EUR)</th>
<th>Stake (%)</th>
<th>Enter. Value (M EUR)</th>
<th>Sales (M EUR)</th>
<th>EBITDA (%)</th>
<th>EV/ Sales</th>
<th>EV/ EBITDA</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 2011</td>
<td>Shanghai Pingpu Invest</td>
<td>Jiahua (China)</td>
<td>Cosmetics products manufacturer</td>
<td>804,5</td>
<td>100%</td>
<td>804,5</td>
<td>463</td>
<td>12%</td>
<td>1,7x</td>
<td>8,3x</td>
<td></td>
</tr>
<tr>
<td>Nov 2011</td>
<td>Unilever (UK)</td>
<td>Alberto Culver</td>
<td>Cosmetics products manufacturer</td>
<td>2,574</td>
<td>100%</td>
<td>2,471</td>
<td>1,111</td>
<td>16%</td>
<td>2,3x</td>
<td>14.7x</td>
<td></td>
</tr>
<tr>
<td>Mar 2011</td>
<td>Silchester Int'l</td>
<td>Kao Corp (Japan)</td>
<td>Cosmetics products manufacturer</td>
<td>673,5</td>
<td>5%</td>
<td>13,427</td>
<td>8,577</td>
<td>18,5%</td>
<td>1,6x</td>
<td>8,5x</td>
<td></td>
</tr>
<tr>
<td>Nov 2010</td>
<td>LG Healthcare (Korea)</td>
<td>Faceshop (Korea)</td>
<td>Cosmetic manufacturer</td>
<td>253</td>
<td>90%</td>
<td>248</td>
<td>165</td>
<td>17%</td>
<td>1.5x</td>
<td>8.7x</td>
<td></td>
</tr>
<tr>
<td>Jul 2010</td>
<td>Dabur India</td>
<td>Fem Care Pharma</td>
<td>Skincare products manufacturer</td>
<td>3,4</td>
<td>8%</td>
<td>44</td>
<td>18,8</td>
<td>14,1%</td>
<td>2,3x</td>
<td>16,5%</td>
<td></td>
</tr>
</tbody>
</table>

Market consolidation in Emerging Asia offering unique JV opportunities

- Fragmented market due to the boom of cosmetics products demand during the last decade
- **Synergies between foreign players and established local brands eyeing to expand overseas**
  - Western Europe players = industry expertise, brand-building know-how,
  - Local players = manufacturing in compliance with local standards and Asian consumer taste know-how

Source: Capital IQ, Zephyr, FACSET
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