

# Sniffing Out Opportunity

Perfume company announces desire to complete transactions, but doesn't want to sell itself

BY JOSHUA HAMERMAN

When French-American brothers **Thomas** and **Emmanuel Saujet**, 32 and 40, founded their luxury fragrance and skincare company 12 years ago, they ran the business from their New York apartment and drove their car for miles to sell products.

Today, their company, **International Cosmetics & Perfumes (ICP)**, has three offices (in Paris, New York and Beverly Hills, Calif.) and more than 300 employees, and generated \$23 million in revenue for its fiscal year 2007. ICP is the US and Canadian marketer and distributor for **Creed**, a 247-year-old French perfume brand which counted **Winston Churchill** and **Queen Victoria** among its customers, and the worldwide distributor and marketer

of Brazilian plastic surgeon **Ivo Pitanguy's** skincare line, **Beauty By Clinica Ivo Pitanguy**.

ICP's third brand, perfume line **Hanae Mori Parfums**, is the only one it owns, since the Saujet brothers created it. **Hanae Mori** products are manufactured in France and sold in North America in upscale stores, primarily **Neiman Marcus** outlets.

The firm's growth has made it hungry for acquisitions, and in ICP's industry, the squeaky wheel gets the oil. This is especially true for ICP, which conducts little advertising for its products and does not sell them in discount drug stores or duty-free shops to maintain pricing power.

"Our business is not like banking or mega consumer products," says Emmanuel, who is ICP's vice chairman and works out of the Beverly Hills office. "If

a fragrance or skincare line comes on the block for sale, they usually change hands through word of mouth. Our products are sold in a handful of retailers by choice, so it puts us into a niche category of players. The only way for us to let the industry know we are looking is to announce that fact."

The company has not hired an investment bank and doing so would be too early at this point, says Emmanuel.

ICP distributed a press briefing about its acquisition search which was picked up by *Women's Wear Daily*. The company began seeking targets six months ago, says Emmanuel, and since then, several parties have contacted ICP. One of them was a men's skincare company that was looking for a partnership with ICP.

The relationship would have required ICP to take over the company's inventory and distribution, but ultimately Emmanuel decided against pursuing the opportunity. He declined to elaborate on the reasons why but explained what ICP would consider ideal opportunities.

"One possibility is for us to be approached by someone who has a great product that hasn't yet been marketed," he said. "Our firm could come in and further develop an idea or concept for skincare or fragrance. Emerging companies could work with us and use our distribution and sales capabilities."

As for full corporate acquisitions, ICP would only consider buying up-and-coming firms with no more than \$30 million in global revenue. Anything else would be too expensive.

ICP has been approached in the past by buyers interested in taking it out,

ICP's Thomas and Emmanuel Saujet



but Emmanuel says the company is not interested in selling itself.

### 'The French Connection'

ICP scored a coup in 2004, when it became Creed's North American marketer and distributor. Many companies were vying for the prize, but the Saujet brothers' ties to France set them apart when they met with **Olivier Creed**, whose family has owned the brand for six generations.

"Mr. Creed felt very comfortable dealing with us because of our youth and our French origins, and our success in the US is what he was looking for," recalls Emmanuel. "He wasn't looking for a huge entity to take over his brand and felt very comfortable having a direct cultural link with the people who would take care of the brand. Also, we were small enough to dedicate ourselves to his brand, whereas a larger company might not have given him the same attention and service."

### Sector's M&A focus is brands

ICP is primarily interested in acquiring brands or partnering with other companies because corporate M&A is dominated by sector behemoths such as **The Estee Lauder Cos.**, **Coty** and **Unilever**.

"Our business has been consolidating into a handful of mega-sized players which often monopolize acquisitions because of their size," says Emmanuel. "Small and medium players are disappearing very fast because it's a very competitive industry."

**Lucien Lallouz**, managing director of Aventura, Fla.-based boutique **GLMAC** and, until recently, chairman of perfume licensee **OmniReliant Holdings**, says the fragrance sector's M&A focus is on brands rather than companies.

Last year, **Ascendia Brands** bought certain brands from Coty for \$125 million, and an investor group bought the Zirh brand of men's skincare and fragrances from **Zirh International**.

Still, there have been some company acquisitions. Coty agreed to acquire perfume and drug manufacturer and wholesaler **Del Laboratories** from **Kelso & Co.** for an undisclosed price in December. In July 2005, Coty bought **Unilever Cosmetics International**, Uni-

**ICP's Saujet: 'Our business has been consolidating into a handful of mega-sized players.'**

lever's fragrance business, for \$800 million, or 1.5 times revenue.

Lallouz says fragrance brands usually sell for about 10 times gross revenue and skincare products sell for higher multiples. The reason is that skincare products have much higher lifespans in terms of customer loyalty than fragrances, he says.

Lallouz's **GLMAC** represented perfume licensee **Parlux Fragrances** last year in its long bid to sell itself. **Parlux** did not attract much serious interest, and **GLMAC's** retention ended when the **Parlux** chairman and chief executive, **Ilia Lekach**, resigned

last February.

**Parlux**, which distributes such brands as **Royal Copenhagen** and **GUESS?**, sold **Perry Ellis International** the **Perry Ellis** perfume brand rights for \$63 million in December 2006. Lallouz worked on that deal, which is worth \$140 million over five years.

### Another M&A advertiser

Although **Milestone Partners** is not looking for fragrance assets at the moment, the St. Davids, Pa.-based private equity firm is seeking skincare acquisitions. **Robert Levine**, **Milestone** partner and co-founder, says portfolio company **Good Health Natural Foods** is seeking to expand its line of soaps.

**Milestone**, like **ICP**, sent briefings about its acquisition search to the media. The firm's criteria for **Good Health Natural Foods** add-ons and new investments include manufacturers or companies with established brands with between \$500,000 and \$15 million in Ebitda.

Levine says **Milestone** has received "well over a dozen" queries stemming from its announcement.

In a recent skincare deal, **JH Partners** bought a 50% stake in manufacturer **Somerville Skincare** for an undisclosed price in May.

Fragrance companies are not currently on its radar, but **Milestone** has looked at the sector in the past. "We have looked at cosmetics-oriented businesses over the years," says Levine. "I wouldn't say we'd never buy one, but we have looked at them."

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