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Private Equity Buyers in Beauty and Wellness M&A

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PRIVATE EQUITY BUYERS IN BEAUTY AND WELLNESS M&A

Private equity plays an active role in beauty and wellness M&A and in recent years, has been behind several headline-making acquisitions. For owners considering a sale, understanding who these buyers are and how they think is essential to finding the right partner and the right outcome. This article covers who these groups are, their motivations, deal structures, and how owners can prepare for a sale to a private equity firm.

TYPES OF PRIVATE EQUITY BUYERS

Private equity firms investing in beauty and wellness are typically categorized as either a generalist with a consumer-focused division, or firm focused on a specific segment or segments of consumer (everything from beauty to pet care).

Not all private equity is the same. Traditional private equity firms raise committed capital from institutional investors and operate on defined fund cycles, typically targeting a return within five to seven years. They tend to bring structured operating playbooks, deep sector expertise, and pressure to hit growth milestones quickly.

Family offices, by contrast, manage the wealth of a single family or small group of families. Because they aren't bound by a fixed fund life, family offices often have more patient capital and flexibility on timeline, which can appeal to owners who want a partner less focused on a rigid exit clock.

Independent sponsors occupy a middle ground. They identify and negotiate deals before raising capital for that specific transaction, often deal by deal, partnering with institutional co-investors once a target is identified. This can mean more flexible deal terms, but also more variability in execution speed and certainty of close.

Holding companies and strategic-minded investment firms round out the landscape, often building out a beauty and wellness portfolio with an eye toward long-term consolidation rather than a near-term sale.

PRIVATE EQUITY DEAL STRUCTURES

Private equity firms acquire businesses, grow them, and then typically sell them at higher price than initially paid to achieve a return. They target acquisitions in two different ways:

- **Platform asset:** A platform is a foundational asset for a PE firm, from which they intend to grow. These tend to be larger companies (at least \$5 million in EBITDA).
- **Add-on asset:** An add-on complements a platform company and helps drive growth. These are typically smaller in size (between \$2 million and \$5 million in EBITDA).

PE-backed beauty and wellness platforms have proliferated in recent years, and many are actively acquiring add-on businesses to broaden their brand portfolios. This means even smaller operators, businesses that might not attract a standalone PE fund, may be highly attractive as an add-on to an existing platform.

In terms of deal structure, PE investors typically pursue*:

- **Majority investment:** In these deals, the owners of the business sell a majority stake—typically around 70%—to the private equity firm. The owners retain the remainder of the equity and stay with the business, continuing to grow it with the support of the PE firm. Then, after about 5-7 years, the owners and PE firm then sell the business again. This option is attractive to owners who see significant growth potential in the business but need additional resources to achieve major milestones.
- **Buyout:** In a buyout, the PE firm acquires full or near-full ownership, frequently using a mix of equity and debt financing. Full buyouts are common for add-ons.

WHAT PRIVATE EQUITY BUYERS LOOK FOR IN BEAUTY AND WELLNESS

Private equity firms evaluating beauty and wellness targets generally focus on a consistent set of criteria. Growth rate matters—both historical performance and a credible path to continued expansion. Profitability and margin structure are scrutinized closely, since beauty and wellness businesses can vary widely in unit economics depending on channel mix. Customer mix and concentration are reviewed for diversification risk, as is dependence on a select number of retail partners or distribution channels. A strong management team that can execute post-close is key as well. Finally, strategic fit is critical: does the business align with a firm's existing thesis, complement a current portfolio company, or open a new category the firm wants to enter?

REPRESENTATIVE BEAUTY AND WELLNESS-FOCUSED PRIVATE EQUITY FIRMS

Firm	Select Investments				
 CATTERTON					
TSG CONSUMER		PHLUR	SUMMER FRIDAYS	DUDE WIPES	HEMPZ
		amika:		eva-nyc	
		ISLE OF PARADISE	TAN-LUXE	real techniques	
	NEST NEW YORK	GLOW RECIPE	EWC GROWTH		
	BLOSSOM	BLUE CROSS	SIMPLY ORGANIC	SEVEN	
	mented	beauty bakerie			

Private equity firms range in size, measured by their assets under management (AUM). The firms listed here reflect the range in size of groups investing in beauty and wellness, from large (\$1 billion+ AUM) to small (less than \$1 billion AUM). Fund size and investment thesis determines which deals a PE firm can look at and what they can pay.

SELLING TO A PRIVATE EQUITY FIRM

For business owners considering a sale, an important step is bringing on an advisor early in the process. It is not uncommon for a business owner to receive an unsolicited offer from a potential buyer. Or to think that the “perfect” buyer will appear, offering to buy the business for a high valuation via a quick process. The reality is that acquirers need to be identified and approached. Partnering with an M&A advisor strengthens the sale process in many ways including: 1) the advisor brings a deep and well-mapped network of buyers, with an understanding of their acquisition priorities and for whom the acquisition would be an aligned fit; 2) they optimize the company’s positioning in the market; and 3) they negotiate on behalf of the seller for a favorable price and terms. Together, these efforts are critical to maximizing value and achieving an optimal outcome for the seller.



ABOUT FOCUS

FOCUS delivers M&A, capital raising, and strategic advisory to help business owners maximize value and achieve successful outcomes. If you would like to learn more about our Consumer banking services or discuss how current market conditions affect the value of your business, please reach out to a member of [our team](#).

