

BEST MERGER OR STRATEGIC CORPORATE DEAL



RUNNER-UP

The acquisition of SkinCeuticals Inc. by L'Oréal S.A.

The players

Privately held cosmeceuticals company SkinCeuticals Inc. was founded in Dallas in 1997.

The term cosmeceuticals refers to products that straddle the divide between cosmetics and pharmaceutical products.

The company sells its skincare products for professional use through a specialized distribution network that includes dermatologists and spas. Sales in 2004 were \$35 million and at the time of the L'Oréal deal were believed to be ahead of the \$42 million projection for 2005.

SkinCeuticals key executives (no longer with the company):

Alden Pinnell
Russell Moon

L'Oréal S.A., based in Paris, France, is the world's largest cosmetics company, with brands including Lancome, Ralph Lauren, Redken, Gloria Vanderbilt and Maybelline. L'Oréal S.A. had 2004 sales of \$19.82 billion and net income of \$4.95 billion. The company's United States subsidiary, L'Oréal USA, is based in New York. It had sales in 2003 of \$3.8 billion and one-year sales growth in that year of 5.6%.

L'Oréal S.A. key executives:

Jean-Paul Agaon, co-president and CEO
Christian Mulliez, executive vice president administration and finance

Deal advisers

Houlihan Lokey Howard & Zukin
Lidji & Dorey

The details

SkinCeuticals is one of the fastest-growing skincare brands in the cosmeceuticals arena — a market that is predicted to be worth about \$5 billion in the United States by 2007.

For L'Oréal, the acquisition of SkinCeuticals strengthens its position in the cosmeceuticals sector, which it entered in 2001 with



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Top left: Deal advisers, from left, Benjamin Baldwin, Rick Lacher, Mark Dufilho and Glenn Neblett, with Houlihan Lokey Howard & Zukin. Top right, deal advisers, from left, Brian Lidji, Michael Dorey and Kyle Hooper with Lidji and Dorey. Bottom are SkinCeuticals executives and part of the company's founding team, from left, Timothy Elrod, Sonja Anderson, Christopher Hausman, Lori Hoffman and Joe O'Connor.

the acquisition of BioMedic.

The deal is a good example of a rapidly growing, innovative company with superior product technologies being acquired by a large, strategic buyer with the ability to provide global distribution.

Financial terms of the deal were not

disclosed.

Both parties captured significant value by bringing complementary capabilities together, one judge said.

Cosmetics companies are constantly trying to create new niches with higher-return products. And many are using their corporate

venture arms to bring in emerging technologies, which is what L'Oréal has done with SkinCeuticals, another of the judges said.

For SkinCeuticals, the deal demonstrates the ability of seller companies to piggy-back the global reach of one of the world's major companies, he added.

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The Lidji & Dorey team of Kyle Hooper, Brian Lidji and Mike Dorey represented SkinCeuticals in its acquisition by L'Oreal in June 2005.

Lidji & Dorey regularly handles significant transactions for emerging and middle market companies engaged in a variety of businesses.

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