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JAB seeks greater stake in Coty

February 12, 2019



Miu Miu's Twist fragrance campaign stars Elle Fanning. Image courtesy of Miu Miu

By STAFF REPORTS

Investment firm JAB is looking to up its stake in beauty group Coty, citing the company's "long-term potential."

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JAB has been a longtime investor in Coty, and is the company's largest shareholder. It intends to buy up to 150 million shares of Class A common stock in Coty at \$11.65 per share through a partial tender offer, which could total up to \$1.7 billion.

Courting Coty

JAB notes in a letter to Coty's board of directors that its quoted price for the shares is 38 percent higher than the 90-day weighted average from Feb. 11, and 21 percent greater than the closing price from Feb. 11.

If Coty approves the offer and the transaction goes through, JAB would hold 60 percent of the company's issued and outstanding shares of common stock, with almost 451 million shares.

Coty has recently seen some strategic struggles as its portfolio has grown with the merger of Procter & Gamble's beauty business.

The group's net revenues declined 4.8 percent year-over-year in the second quarter of fiscal 2019, ended Dec. 31. Earnings per share declined during the same period by \$1.28.

Year-to-date revenues are also down 6.8 percent to \$4.5 billion.

While Coty's luxury businesses, which includes licensed brands such as Gucci and Burberry, performed well on the whole, logistical issues set the company back. This included the delay of luxury shipments due to Hurricane Florence in the United States.



Mr. Burberry fragrance. Image credit: Burberry

"I must stress that while we are confident that we can return Coty to a path of sustainable growth, we are also realistic that it will take time to achieve this outcome," said Pierre Laubies, CEO of Coty, in a statement.

JAB says it is recognizing that it may take time for Coty to come back.

"We at JAB have been investors in the company for almost three decades and expect to remain so," said Peter Harf chairman of JAB, in his letter. "We believe that the company has the potential to address its challenges and prosper over the long-term, and that the company's recent management changes are an important first step in addressing the company's recent performance.

"We understand that not all investors may share our long-term approach and we expect that shareholders will value the opportunity to obtain a significant premium for their shares in the offer, even taking into account the recent strong increase in the company's share price," he said. "At the same time, we appreciate that some shareholders will want to participate in the company's long-term potential value by retaining some or all of their shares in the company after the offer."

JAB Holding Company has a controlling stake in Bally, and previously owned Jimmy Choo and Belstaff.

Coty recently made a number of C-suite appointments as it looks to promote growth and further integration of its Procter & Gamble acquisitions.

Among the moves, the company has hired Pierre-Andr Terisse as its new chief financial officer, and has named Gianni Pieraccioni its chief operating officer, Consumer Beauty. One of Coty's key focuses as it reorganizes is its Consumer Beauty division, which includes a number of labels that were added to its portfolio via its merger with P&G ([see story](#)).