

FRAGRANCE AND PERSONAL CARE

Coty considers selling professional division to focus on luxury, cosmetics

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Coty is considering a sale of its Professional Beauty division. Image credit: Wella

By STAFF REPORTS

Beauty group Coty is exploring strategic options for its Professional Beauty division, including the potential divestiture of assets such as salon hair care and nail color brands.

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The group is planning to focus more on fragrance, cosmetics and skincare, including its Luxury division of licensed brands such as Burberry and Gucci. Coty is in the midst of a turnaround plan designed to maximize shareholder value following periods of negative results.

"After stabilizing our operations in fiscal 2019, we announced in early July a plan to turn around Coty's performance," said Pierre Laubies, CEO of Coty, in a statement. "Today's announcement accelerates this transformation and will help reposition Coty as a more focused and agile company, deleverage our balance sheet and improve our ability to invest in areas with the greatest growth potential.

"The Professional Beauty teams have done an incredible job over the past three years in creating a strong business platform, putting us in the favorable position to find the best owner for that business while unlocking significant value for Coty shareholders and allowing us to further grow our core remaining businesses," he said.

Pro productivity

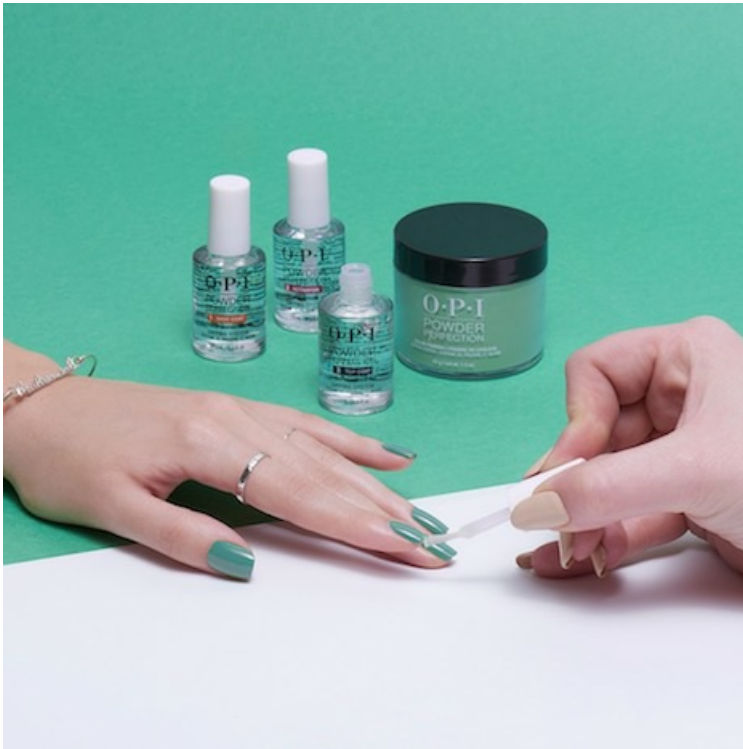
Coty's revenues for the most recent fiscal year ended June 30 were down 8 percent, despite growth in the Luxury division ([see story](#)).

In July, Coty launched a turnaround plan in an effort to optimize its business from a cultural, growth and leadership perspective. Working towards targets for 2023, the company is expecting to spend about \$600 million in cash throughout the next four years.

Key focuses of the plan include raising gross margins and lowering costs. Coty will also work on building its brands, including finding countries where brands have significant opportunities and investing on a national basis ([see story](#)).

Now, as part of its effort to improve its results, Coty has tapped Credit Suisse to help perform a strategic review of its

Professional Beauty division, which includes the brands Wella, Clairol, OPI and ghd. Coty is number two in professional hair, with a presence in salons in 100 countries.



OPI is part of Coty's Professional Beauty division. Image credit: OPI

Coty is also looking at strategic options for its Brazilian business. Together, Coty Brazil and the Professional Beauty division are projected to see revenues of \$2.7 billion in 2020.

This review process is expected to be completed by the summer of 2020.

If a sale does happen, Coty would use the proceeds to pay down debt. Extra cash from a transaction would go to shareholders.

"This announcement has the full support of the board, as well as the company's largest shareholder, JAB Holdings," said Peter Harf, chairman of the board of Coty and founder/managing partner of JAB Holdings, in a statement. "The strategic review of the Professional Beauty business aims at finding the best option to realize significant value for Coty and its shareholders.

"The board is highly confident in Coty's ability to leverage our unique portfolio of fragrance, cosmetics and skin care brands, and capture the growth of the beauty category," he said.

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