

Buyouts

The newsletter for
management buyouts,
leveraged acquisitions
and special situations

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Harvest Goes Au Natural

Just as organic products are occupying more space on store shelves, **Harvest Partners** has gained exposure to the sector with the acquisition of the Nature's Gate personal-care product maker **Levlad Inc.** and its subsidiary **Arbonne International**. Terms of the deal were not disclosed, although sources have indicated that Harvest invested more than \$90 million of equity into the company.

"We've been looking at the healthy living industry for over a year now," Harvest Managing Director **Michael DeFlorio** said. "There are some positive demographic trends there, such as the aging population, and overall, people are trying to take better care of themselves."

DeFlorio added that if you look at the trends in organic foods, which have rapidly gained acceptance in recent years, he anticipates that personal care products will eventually see the same kind of brisk adoption.

Private equity, for its part, has been quick to adapt. In the organic food arena, **Solera Capital** controls Annie's Homegrown, while **North Castle Partners** owns the Naked Juice Co., among others. Also, a year ago, **Bear Stearns Merchant Banking** acquired Sutton Place Gourmet and Hay Day Country Farm Stores, two former Balducci properties that sell organic and fresh groceries.

Interest in the organic personal care space has been slower to develop. North Castle acquired Avalon Natural Products late 2002, and earlier this year, the auction for Burt's Bees, won out by **AEA Investors**, heralded that there is indeed interest in the organic personal care space.

"This deal saw the same sort of buzz [as Burt's Bees]," **Greif & Co. President and CEO Lloyd Greif** said, adding that the company received interest from both financial sponsors and strategic bidders. **Greif & Co. advised on the deal.**

"Each of the businesses we bought, [Levlad and Arbonne], are growing significantly north of 10% for each of the last 10 years," DeFlorio said. "And the natural personal care market is growing about 9% a year, which is two to three times more than the traditional, [non-organic] personal care market."

Levlad, based in Chatsworth, Calif., manufactures natural and organic shampoos, conditioners, soaps, lotions, deodorants and other personal care products under the Nature's Gate brand. Arbonne, an Irvine, Calif.-based subsidiary of Levlad, has its own branded line of Swiss formulated herbal and botanical personal care products that are distributed through a direct sales network of independent consultants. The company generates more than \$200 million in annual sales, while its EBITDA margins lie

north of 10%, according to sources.

In financing the transaction, **CIBC World Markets** arranged a senior debt tranche, while **TCW/Crescent Mezzanine** put together a subordinated debt package. Harvest is using equity from its **Harvest Partners IV, L.P.**, fund, which according to DeFlorio, is roughly 55% to 60% committed at this point. **The purchase price was undisclosed, although DeFlorio noted that it was more than \$200 million.**

The two businesses, Levlad and Arbonne, will sit under Natural Products Group, LLC, a holding company set up by Harvest for the transaction. The firm also brought in industry veteran **Robert Henry**, the former CEO of Mannatech Inc., to head up Arbonne as chief executive. **Stephen Biroczyk**, meanwhile, will continue in his role as CEO of Levlad.—K.M.

SNAPSHOT

Target: Levlad and Arbonne International
Buyer: Harvest Partners
Advisor: Seller: Greif & Co.
Legal Counsel: Harvest: White & Case
Accountant: Harvest: Pricewaterhouse Coopers