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## Natura/Avon/Oriflame: call of beauty

Ding dong! These days, it is more likely to be a Lycra-clad courier than a chirpy sales rep calling. But even in the internet era, a face-to-face pitch can be persuasive. Yesterday, two direct sellers of beauty products were jostling for attention.

One was US-listed Avon Products, famous for its 1954 “Avon calling” advertising campaign. It said it was in “advanced discussions” with Natura Cosméticos of Brazil. A mooted deal reportedly values its equity and debt at more than \$2bn. Meanwhile, the family that founded Swedish beauty company Oriflame has made a \$1.3bn offer for the company. Its shares jumped almost a third to within touching distance of the cash offer price.

Neither sale has been negotiated from a position of strength. Avon, founded in 1886 by a door-to-door bookseller, pioneered the direct-selling model. But it fell behind rivals in a market disrupted by social media. It has run up five years of losses and in January it announced plans to cut 2,300 jobs – a tenth of its workforce.

Oriflame’s share price has almost halved over the past year. It was hit by a Chinese crackdown on direct selling, as well as intensifying competition. The af Jochnick family, which controls 30.8 per cent, wants to take it upmarket. It would be easier to do that away from the pressures of quarterly reporting.

The family has said it will not raise its price, which suggests an enterprise value little more than the previous

year’s sales. That is similar to the valuation multiple of Body Shop when Natura acquired it in 2017. Investors might hope for a more generous bid.

Oriflame might be a better geographical fit for Natura than Avon. The US-listed company, like Natura, earns a lot of its sales in Brazil.

Whatever the outcome, Natura offers lessons to rivals. Its shares are priced at 32 times next year’s earnings, one of the highest ratings in the sector. It is

expanding beyond its reliance on direct sales. Even so, the model – the original social network – has potential yet.