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Brazilian owner of Body Shop is calling for Avon takeover deal

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The Brazilian owner of Body Shop is on the brink of buying Avon, the struggling beauty retailer once famous for its army of "Avon ladies".

Natura Cosméticos and Avon confirmed yesterday that they were in advanced talks about an all-share merger, sending shares in Avon up by as much as 16.3 per cent.

A deal would mean that Avon, valued at \$1.6 billion, would cease to be an independent company for the first time since it was founded in New York in 1886.

Avon sells beauty products, jewellery and homewares online, through catalogues and via a network of door-to-door salespeople. Headquartered in London and listed in New York, Avon has struggled for years with falling revenue as door-to-door sales fell out of fashion and consumers spent more online.

Sheri McCoy, 60, who became Avon's chief executive in 2012, was ousted from the job in March 2017 amid complaints from activist investors that she had overseen a "tremendous destruction of shareholder value".

Natura, which was founded in Sao Paulo in 1969 and is valued at about \$6.3 billion, is the largest beauty retailer in Brazil. It has 3,200 stores in 70 coun-

tries and about 1.7 million representatives, mainly in South America, who sell door-to-door. The company acquired Body Shop, the British beauty retailer, from L'Oréal for £880 million in 2017. Natura also owns Aesop, a

luxury Australian cosmetics brand, which it bought in 2016.

Shares in Avon were up by 36 cents, or 11.25 per cent, at \$3.56 in New York yesterday afternoon. They have lost three quarters of their value in the past five years. Natura shares were up by 2.23 reals, or 4 per cent, to 58.43 reals in Sao Paulo.

Susannah Schofield, director-general of the Direct Selling Association, a British trade body, said that the possible deal "has no doubt been driven, in part at least, by the very strong performance of The Body Shop's direct-to-consumer division".

Natura confirmed in March that it was exploring a deal with Avon and it said yesterday that the companies were "negotiating final contractual terms". Avon declined to comment.

The *Financial Times* reported that the merger would value Avon at more than \$2 billion, with Natura holding 76 per cent of the combined group and Avon shareholders the rest.

Avon was founded by David McConnell, a second generation Irish

immigrant to America whose father worked as a farmer and brickmaker. He started work as a door-to-door bookseller after leaving school and began supplementing his income by selling his homemade perfumes to women he visited. He gave up bookselling to form the California Perfume Company and hired housewives to help to sell his products. Avon went public in 1946 and by 1957 there were 100,000 Avon ladies and Avon men, with the company making \$100 million a year in sales.

