

## **Intercos S.p.A**

### **Structure**

Intercos S.p.A., together with its affiliates, manufactures and markets cosmetics for body care, skin and hair in the form of face and eye care products, body and hair care, cleansing products, masks, men grooming products, face powders, eyeshadows, foundation and concealers, pencils, mascara, lipsticks and glosses. Intercos is a leading brand in the cosmetics OEM and ODM markets, which is projected to grow from US\$ 28,915.5 million in 2022 to US\$ 39,979.6 million by 2029, at a Compound Annual Growth Rate (CAGR) of 4.40%. The main competitors of Intercos are Kolmar Korea, KDC/One, COSMAX, Cosmo Beauty, Nihon Kolmar, Cosmecca, Mana Products and Nox Bellow Cosmetics. In 2022, the mentioned top players had a revenue share of 17.43%. [1]

There are several regulatory changes that affect this industry and Intercos has to continuously adapt to these changes and one such regulatory change came in Dec 2022, when congress passed the Modernization of Cosmetics Regulation Act of 2022 (MoCRA). This mandated the cosmetic industry to comply with adverse event recordkeeping and reporting, facility registration and product listing, good manufacturing practices (GMPs), safety substantiation, fragrance allergen labeling, facility suspension, records access, and mandatory recall authority.[2]

Intercos also has to innovate along the lines of Wearable beauty devices, 3D-printed makeup, clean products and blockchain beauty and AI-powered skin analysis and lip care to keep its market position and its value add to its customers which is providing continuously innovation in the back end.[3]

## **Conduct**

Intercos was founded in 1972 by Dario Ferrari as *Intercos BBCSrl*. It started as a cosmetic production company for third party companies. Later on, in the eighties and nineties, it entered the management of processes from the product distribution chain. It has from there entered into joint ventures with likes of Fabbrica Italiana Lapis ed Affini and also been funded by Equinox, Euraleo and Catterton Fund through various take overs. It now has a workforce of more than 5500 employees, 11 research centers, 16 production facilities and 16 commercial offices located in three continents. It also has a market share of 10% as per the data of year 2020 and has more than 720 worldwide clients.[4]. The Intercos Group creates, manufactures and markets cosmetics products for the main national and international markets, emerging brands, and retailers active in the make-up market and the beauty market in general. It also has 16 patents files and among them the popular topics are cosmetics, food additives and bones of the head and neck. The mission of the company is “*To be the preferred and long-lasting partner for all the key cosmetic brands, offering them the most innovative and complete ranges of makeup, skincare, and hair & body care with a global approach.*”[5]. The target customer of Intercos includes Retailers, Multinationals and Emerging Brands, which include 24 out the 30 main operators in the cosmetic industry in skin care, hair & body care and color cosmetics.

The strategy that Intercos deployed in the beginning was not to focus on market where the product can be sold the most, but to focus on creating a name for themselves and for that reason they first established their product in Paris and then pivoted to all the other locations acquiring more clients utilizing the brand identity. The main pillars of their business strategy include Innovation and R&D, consolidation of business units and increase their growth and margins, expansion into target markets through M&A and consolidation of leadership, customer portfolio expansion and optimization of supply chain through introduction of automated processes and practices that reduce the environmental impact.[6] They also monitor and track

google data to understand customers better and they have their internal Customer Relationship Management (CRM) software called the truth serum, which does all the analytics of the purchasing pattern of their customers. This has helped them to continuously innovate according to the market trend and create more than 1200 new formulations and more 14000 colors and pencils.

The company's open innovation [7] has two facets to it:

1. "Outside in" – External ideas and technologies are brought into the firm's own innovation process.
2. "Inside out" - Utilized ideas and technologies in the firm are allowed to go outside to be incorporated into others' innovation.

One of the recent alliances it has made on March 20, 2024, is with Amarey, which is an innovative startup specializing in functional products derived from coffee and is founded in Italy. Similar agreement was signed with Evonik on November 7, 2022, at the 5th China International Import Expo (CIIE) to provide raw materials such as active ingredients, emulsifiers and cosmetic oils through a direct sales channel.[8]

## **Performance**

In an industry which is growing at a CAGR of 4 to 6%, Intercos, post pandemic is growing at 13% CAGR. The sales CAGR is at an impressive 19% and the company has posted a growth of 40% over the past 2 years.[4]. The business units are divided into Make-up segment, Skincare and Hair & body. In the first nine months of 2023, the Make-up segment reported revenues of €454 million, up +16.1%, the Skincare reported revenues of €109.6 million, up +13.4% and Hair & Body reported sales of €171.4 million, growth of +56.6%. The substantial growth in the Hair & Body was due to agreements signed with a number of new brands as a

result of expansion of fragrances production capacity from the investments made at the end of 2022 and at the beginning of 2023.[9] In comparison to its immediate competitors Cosmax (€1024 million) and Korea Kolmar (€ 563 million), Intercos made a revenue of € 988 million as of March 2024 and an adjusted EBITA of 14.3%. [4].

Share price development					
INSTRUMENT	1M CHANGE %	3M CHANGE %	52W CHANGE %	5 YEARS CHANGE %	52W HIGH & LOW
Intercos (ITA)	-9.74% ▼	-7.97% ▼	-7.39% ▼	-9.86% ▼	H: 16.68 L: 12.08

Supplied by © EUROLAND IR®  
Data delayed at least 15 minutes  
[Terms of Service](#) | [Cookie Policy](#)

The above data from the Intercos website indicates that there has been a drop in value of the stock over the short (-7.97%), medium (-7.39%) and long (-9.86%) term, and the highest and lowest traded value 52W period has been 16.68 and 12.08 euros. This shows a downward trend in stock price, which to a major extent would have resulted from impact of Covid -19. However, understanding the internal working of the company shines a different picture, and the revenue growth supports the vision of the company.

The company is customer centric and has kept satisfying the needs of the customer and maintaining a long-lasting relationship with the customer as their "obiettivo principale". The value for people is also reflected in the way the company treats its employees. Intercos believes that people represent the key drivers of their success. So, guaranteeing a healthy, inclusive and enabling work environment and by promoting work-life balance for people is Intercos' s priority. They believe in Attracting the right talent, Developing the right talents through training programs and leadership labs and Growing the Employees through formal performance evaluation with the aim of identifying areas of improvement and evaluating, with the support of their manager, opportunities for horizontal (cross-functional) or vertical career growth.

The company is also heavily vested in its approach to environmental and social governance (ESG) goals. In 2022, Intercos joined EcoBeautyScore Consortium to identify shared scientific

methodology for assessing products' environmental impacts and to create a scoring system. It is also invested in reduction of Scope 1 and Scope 2 CO2 Emissions to 2025. This is a 3-year plan and has been tied to remuneration packages within the company.[10]

## **Appendix**

1. McKinsey & Well Company (September 2023), Global Cosmetics OEM and ODM Market Size, Status and Forecast 2023-2029.  
(<https://mckinseywell.com/products/global-cosmetics-oem-and-odm-market-size-status-and-forecast-2023-2029>) (Accessed on 22 March 2024).
2. U.S. Food and Drug Administration (2023), Modernization of Cosmetics Regulation Act of 2022 (MoCRA) (<https://www.fda.gov/cosmetics/cosmetics-laws-regulations/modernization-cosmetics-regulation-act-2022-mocra>) (Accessed on 22 March 2024).
3. thenew4u2 (2024), The Beauty Tech Revolution: Trends Shaping the Cosmetics Industry. (<https://www.thenew4u2.com/2024/02/The-beauty-tech-revolution.html>) (Accessed on 22 March 2024).
4. Intercos (2024), Presentation for Babson MBAs, Milan, Italy dated March 13, 2024. (Accessed on 13 March 2024).
5. INTERCOS Group (2019). INTERCOS\_SUSTAINABILITY\_VISION  
([https://www.intercos.com/wp-content/uploads/2021/05/INTERCOS\\_SUSTAINABILITY\\_VISION.pdf](https://www.intercos.com/wp-content/uploads/2021/05/INTERCOS_SUSTAINABILITY_VISION.pdf)). (Accessed on 22 March 2024).
6. INTERCOS Group (2023), Intercos\_Remuneration-Report\_2023  
([https://www.intercos-investor.com/wp-content/uploads/2023/04/Intercos\\_Remuneration-Report\\_2023\\_Eng.pdf](https://www.intercos-investor.com/wp-content/uploads/2023/04/Intercos_Remuneration-Report_2023_Eng.pdf)). (Accessed on 22 March 2024).
7. INTERCOS Group (2023), TECHNOLOGY & INNOVATION,  
<https://www.intercos.com/research-and-development-innovation/technology-innovation/> ) (Accessed on 22 March 2024).
8. Evonik Press Release - Care Solutions Shanghai, China, (November 8, 2022), Evonik signs a direct supply agreement with Intercos Group ([https://personal-care.evonik.com/en/evonik-signs-a-direct-supply-agreement-with-intercos-group-179371.html#:~:text=Evonik%20and%20Intercos%20Group%20\(%E2%80%9CInter%20cos,cooperative%20partnership%20between%20both%20companies.\)](https://personal-care.evonik.com/en/evonik-signs-a-direct-supply-agreement-with-intercos-group-179371.html#:~:text=Evonik%20and%20Intercos%20Group%20(%E2%80%9CInter%20cos,cooperative%20partnership%20between%20both%20companies.))) (Accessed on 22 March 2024).
9. INTERCOS Group (2023), ICOS\_9M23 Press Release\_01.11\_v.2:  
[https://www.intercos-investor.com/wp-content/uploads/2023/11/ICOS\\_9M23-Press-Release\\_06.11.pdf](https://www.intercos-investor.com/wp-content/uploads/2023/11/ICOS_9M23-Press-Release_06.11.pdf)). (Accessed on 22 March 2024).
10. INTERCOS Group (2023), ESG Highlights (<https://www.intercos-investor.com/wp-content/uploads/2023/06/Intercos-Group-ESG-highlights-2022.pdf>) (Accessed on 22 March 2024).