

Beautylish Inc.



- Liquidity challenges and high leverage, are posing a financial risks countered by a high FCCR of 2.41x (10/23)
- Strong growth in Revenue (+47%), and Net Income (+60%) comparing FY-21 to T10 through 10/23 annualized, with an astonishing ROCE of 46.7% (5.6x peers).

Strengths

- Strong Online Strategy:** Beautylish's is an online-only retailer whose success is generally hinging on a robust digital presence, customer engagement, and brand reputation. Their growth of nearly 50% in revenue since FY-21 (vs T10 through 10/2023 annualized) shows that they are getting it right.
- Brand Reputation and Product Curation:** The company established a strong brand reputation (positive customer reviews, and remarks in beauty and fashion publications), particularly in niche markets, with a focus on high-quality, and rather unique/specialized beauty products.
- Capital Efficiency:** EBITDA margin was in line with peers (yet ranked 46% higher 10/23, exceeding peers' EBITDA Margin by 40%) whilst ROCE (48.6%) vs peers (8.6%) signifies an effective utilization of capital.

Challenges

- Liquidity Concerns:** Liquidity ratios, are below the peer medians, indicating potential challenges in meeting short-term obligations, especially the Quick Ratio which is less than half of their peers'.
- High Leverage:** Net Debt to EBITDA ratio exceeds the relevant market median 2.9x (FY-22), yet declined from 4.9 to 2.8x per 10/2023.
- Limited Information on Management and Succession:** The lack of detailed public information on management changes or succession planning raises questions about leadership stability and long-term strategy

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	4.3	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	5.1	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers	0.6		Revenue Segment	<div></div>
			Trend Analysis	<div></div>
			Other Modifier	<div></div>

Industry Benchmarks - Primary: Other Specialty Retail

Company Overview

Headquarters	San Francisco, CA	U.S.
Type	Private (Non-PE)	
Employees	119 (per pitchbook)	
Year Founded	2010	
Website	https://www.beautylish.com/	
Business	Operator of an online cosmetic retail platform	
Revenues	\$65.2M	

- Company Overview:** Beautylish, Inc. is a prominent online retailer specializing in beauty and cosmetic products. The company's platform enhances the way women discover and learn about beauty products through a combination of product offerings and educational content.
- Product:** Diverse range of beauty products, including makeup, skincare, hair care, fragrances, and beauty tools from various brands, complemented by tutorials, tips, and reviews.
- Customers:** The company primarily targets women interested in beauty products, offering both quality products and the knowledge to use them effectively.
- Ownership:** Privately held company with some venture capital backing, indicating investor confidence in its business model and growth prospects.

We made a significant adjustment for the improvements that the entity achieved over the past 10 months through October 2023, given the analysis is mainly based on the most recent T12 financials (FY-22). Further clarifications pertaining to debt structure, and qualitative parameters could lead to a more favorable credit risk rating.

Financial Ratio Benchmarking

# of Benchmarks:		20	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio		1.32	1.15	<div></div>
	Quick Ratio		0.54	0.25	<div></div>
Leverage	Net Debt / EBITDA		1.70	4.93	<div></div>
	Debt to Assets		27.6%	46.7%	<div></div>
Profitability	EBITDA Margin		4.9%	4.7%	<div></div>
	ROCE %		8.6%	48.6%	<div></div>
	Revenue		\$72M	\$59M	

- High leverage, substantially elevates their financial risk vs peers - yet significantly driven by EBITDA, given improvement since FY-21.
- High ROCE indicates strong capital efficiency, despite lower EBITDA margins compared to peers. Both metrics improved further during T10/23.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Oct-23 T10	Chg
Income Statement				
Total Revenue	53,084	58,925	65,225	10.7%
Gross Profit	13,906	16,853	19,359	14.9%
Adjusted EBITDA	1,241	2,745	4,449	62.1%
Gross Profit Margin	26.2%	28.6%	29.7%	+108 bps
EBITDA Margin	2.3%	4.7%	6.8%	+216 bps
Balance Sheet				
Cash And Cash Equivalents	1,840	2,050	2,127	3.7%
Total Current Assets	30,131	31,961	32,809	2.7%
Total Assets	31,430	33,339	34,908	4.7%
Total Current Liabilities	24,891	27,689	26,357	-4.8%
Total Debt	10,383	15,583	14,476	-7.1%
Total Equity	2,683	(337)	1,744	
Cash Flow				
Net Income	3,301	2,602	4,400	69.1%
CAPEX	-	-	-	
Depreciation & Amortization	-	-	-	
Fixed Charge Coverage Ratio	0.85x	1.62x	2.41x	+0.8x

- Strongly improving revenue (+47% since FY-21 vs T10 through 10/2023 annualized) and operational efficiency, as evidenced by its improving EBITDA margin from 2.3% to 6.8%.
- High asset turnover ratio (1.9x) indicates efficient use of assets to generate revenue.
- The high debt to assets ratio requires careful monitoring, raising questions about the company's long-term financial strategy and debt structure.

Business Risk Highlights

- Industry:** The U.S. beauty and personal care products market size was \$81.1bn in 2019, and is expected to grow at a CAGR of 4.8%, reaching \$128.7bn in 2030. The online retail sector, is generally very dynamic with high competition and technological advancements as a key differentiator.
- Competitive Position:** The company's strong online strategy and brand reputation positions it well in the competitive beauty market.
- Management:** Limited public information on management and succession planning presents risks related to leadership stability and strategic continuity.
- PE Sponsor:** Although we are aware of partial PE-ownership/involvement in Beautylish, Inc., we have no further details outlining the extent or a particular PE-firm backing the entity.