

Z.One Concept USA, Inc. (owned by Beautynova Group, backed by PAI Partners and Bluegem Capital Partners)



- Strengths
- Financial Health:** Very strong liquidity position with a current ratio of 12.60 and a quick ratio of 7.40 in FY-23, significantly higher than the peer median. It also has zero debt, which is a very favorable leverage position, despite arguments that may consider it a missed growth opportunity.
 - Product Diversity:** They offer a diverse range of hair care products under three main lines: 'milk_shake', 'Simply Zen', and 'NO INHIBITION', catering to different customer needs.
 - Strategy:** The parent entity, majority backed by PAI Partners reportedly wants to grow the entity rather aggressively. The recent acquisition of a majority stake by PAI indicates a high level of confidence and commitment.
- Challenges
- Market Share:** On a standalone basis they are a small player in the US vs giants like L'Oréal and Estée Lauder. Hence, they are likely not a price-leader.
 - Cash Flow:** A negative operating cash flow ratio in FY-23 indicates the company was temporarily unable to cover short-term expenses from operations - mainly driven by increase in Working Capital to support growth.
 - Execution Risks:** Growing an entity successfully and sustainably often comes along with additional risks - like cultural differences, scalability challenges, integration risks, for which the entity may need to lean on the parent entity.

Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	50%	9.6	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	50%	6.1	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		-1.2	Revenue Segment	<div></div>
			Trend Analysis	<div></div>
			Financial Flexibility	<div></div>

Industry Benchmarks - Primary: Personal Care Products

Company Overview

Headquarters	Wayne, NJ	U.S.
Type	Private (Non-PE)	
Employees	~10-50	
Year Founded	2012	
Website	https://www.z-oneconcept.com/en/	
Business	Provides professional hair care products and services.	
Revenues	\$21.2M	

- Company Overview:** Z.One Concept USA, Inc.' is a professional hair fashion company operating as a subsidiary of the Beautynova Group
- Product:** The company offers comprehensive hair care products and services under 'milk_shake', 'Simply Zen', and 'NO INHIBITION' lines.
- Customers:** Their main customers are beauty professionals across North America.
- Ownership:** Z.One Concept USA, Inc.' is owned by the Beautynova Group, an Italian company. The Beautynova Group is backed by PAI Partners and Bluegem Capital Partners. PAI Partners has acquired a majority stake in the Beautynova Group (3/2024), with Bluegem maintaining a significant shareholding. The BeautyNova Group was created following the acquisition of Pool Service / Medavita in 9/2019 and the Panzeri Group in 10/2020.
- NOTE:** As no financials on the parent (ultimate Credit Risk entity) was available, this assessment is solely focusing on the actual tenant. This means that we did not give credit to the PE-firms backing the Beautynova Group. We also have no insight in any potential inter-company transactions (e.g. funding / loans, etc). Despite favorable KPIs, given they have no debt, cash declined by almost 90% from FY-21 through FY-22. Something which we would be interested in to know more about. In January 2024 a new CEO was installed with the goal of facilitating/driving fast growth.

Financial Ratio Benchmarking

# of Benchmarks:		21	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.67	12.60	<div></div>	100%
	Quick Ratio	0.98	7.40	<div></div>	100%
Leverage	Net Debt / EBITDA	0.52		<div></div>	
	Debt to Assets	15.7%	0.0%	<div></div>	96%
Profitability	EBITDA Margin	7.9%	26.6%	<div></div>	87%
	ROCE %	19.1%	42.8%	<div></div>	77%
	Revenue	\$24M	\$21M		

- Essentially no debt, and significantly better Liquidity ratios their peers underpin a conservative approach to leverage and great short-term financial health.
- Outstanding operational profitability and a highly efficient use of capital.

Financial Statement Highlights

\$ '000s	Dec-21 T12	Dec-22 T12	Dec-23 T12	Chg
Income Statement				
Total Revenue	16,424	18,750	21,208	13.1%
Gross Profit	8,289	9,441	11,442	21.2%
Adjusted EBITDA	5,252	4,671	5,646	20.9%
Gross Profit Margin	50.5%	50.4%	53.9%	+360 bps
EBITDA Margin	32.0%	24.9%	26.6%	+171 bps
Balance Sheet				
Cash And Cash Equivalents	5,234	601	508	-15.4%
Total Current Assets	10,907	7,380	11,938	61.8%
Total Assets	13,055	9,599	13,973	45.6%
Total Current Liabilities	3,290	767	947	23.5%
Total Debt	-	-	-	
Total Equity	9,765	8,832	13,026	47.5%
Cash Flow				
Net Income	4,266	3,767	4,194	11.4%
CAPEX	59	37	(30)	
Depreciation & Amortization	25	122	103	-15.2%
Fixed Charge Coverage Ratio	21.52x	16.41x	18.20x	+1.8x

- Rvenue grew contineously from \$16.4mn in FY-21 to \$21.2mn in FY-23 with an even steeper relative increase in Gross Profits by 38.0% over that same timeframe
- Despite a decline in EBITA Margin from 32.0% to 24.9% in FY-22, it bounced back again to 26.6% in FY-22 as a result of improving operational profitability.
- The company has no debt, as indicated by a net debt to EBITDA ratio of 0 and a debt-to-assets ratio of 0.0%. Yet Cash declined by nearly 90% since FY-21.

Business Risk Highlights

- Industry:** The company operates in the hair care sector, which is a significant part of the beauty market. The U.S. hair care market size was valued at \$16.7bn in 2024 and is expected to reach \$19.87bn by 2029, equal to a 3.5% CAGR.
- Competitive Position:** The company's diverse product range positions it well in the hair care market. However, they are a small player compared to giants like L'Oréal and Estée Lauder.
- Management:** The company is part of the Beautynova Group, which is backed by PAI Partners and Bluegem Capital Partners. In support of a rather aggressive growth strategy Z.One got a new CEO, who started in January 2024.
- PE Sponsor:** n/a - as backing the Italy-based parent entity.
- <Other>:** XYZ