

Deals

Shiseido Is In Talks to Sell Personal-Care Business to CVC

By [Taro Fuse](#)

21 de enero de 2021 20:00 GMT-3 Updated on 22 de enero de 2021 0:29 GMT-3

- ▶ Beauty products maker seeking to offload non-core assets
- ▶ Focus shifts to premium brands as pandemic dents sales



A Shiseido store in Hong Kong. Photographer: Chukrut Budrul/SOPA Images/LightRocket via Getty Images

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Shiseido Co. is in advanced talks to sell its shampoo and affordable skincare business to CVC Capital Partners for 150 billion to 200 billion yen (\$1.45 billion-\$1.9 billion), as the Japanese cosmetics maker shifts its focus to premium beauty products, people with knowledge of the matter said.

The board of Shiseido is preparing to vote on the divestment soon, said the people, who asked not to be identified because the information isn't public. The operations targeted for sale includes the company's Tsubaki hair-care products and is mainly active in Japan, China and other parts of Asia.

The shares of Shiseido jumped as much as 6.5% in Tokyo on Friday, the biggest intraday climb since November. The company confirmed it was in discussions with CVC Capital to sell the unit, and that "no formal decisions have been made as of yet." An external representative for CVC declined to comment.

Shiseido, founded more than 140 years ago as a pharmacy in Tokyo's Ginza district, has been revamping its portfolio as the coronavirus outbreak has changed up cosmetic and personal care routines, dealing a blow to beauty companies. The lifestyle and personal care business represented about a 10th of Shiseido's revenue in 2019, with annual sales of about 100 billion yen.

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The potential deal includes some of Shiseido's domestic and overseas operations, the people said. Negotiations are ongoing and could still be delayed or even fall apart, the people said.

Japanese companies have started looking closely at the domestic market and the health of their balance sheets as the pandemic put a stop to international travel. That means more companies are offloading non-core assets as part of their strategic review. Hitachi Ltd. in December agreed to sell a partial stake in its overseas home appliance business.

Shiseido has been seeking to exit non-core businesses by the end of 2021 as part of a revamp as well. Shiseido Chief Executive Officer Masahiko

Uotani has said in the past year that asset sales may be necessary as the company prioritizes cash.

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For 2020, Shiseido's latest fiscal year, the company is projected to post an operating loss of 4.7 billion yen, compared with a profit of 114 billion yen a year earlier, according to the average of analysts' estimates compiled by Bloomberg. Revenue is predicted to decline by 19% to 917 billion yen. Shiseido is set to report results on Feb. 9.

In recent years, Shiseido has shifted its focus to its high-end prestige beauty portfolio – which includes Cle de Peau, NARS and its eponymous Shiseido brand – and done acquisitions to augment their portfolio. The beauty company paid \$845 million in 2019 for Drunk Elephant, a prestige skincare brand popular with millennial and Generation Z consumers that's known for its nontoxic ingredients and Instagram-friendly packaging.

CVC's participation adds to a trend that private equity firms are more active in eying the non-core business of Japanese companies.

Last year, Blackstone Group agreed to buy Takeda Pharmaceutical Co.'s over-the-counter drug business for about \$2.3 billion in the buyout firm's largest acquisition in Japan. Carlyle Group in March 2020 raised 258 billion yen for its fourth Japan buyout fund, more than double the size of its predecessor.

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– *With assistance by Lisa Du, and Grace Huang*

(Adds details of other deals in Japan from sixth paragraph.)

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