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Glow Up or Sell Out? Opportunities and Risk in the Consumer Health and Beauty Sector

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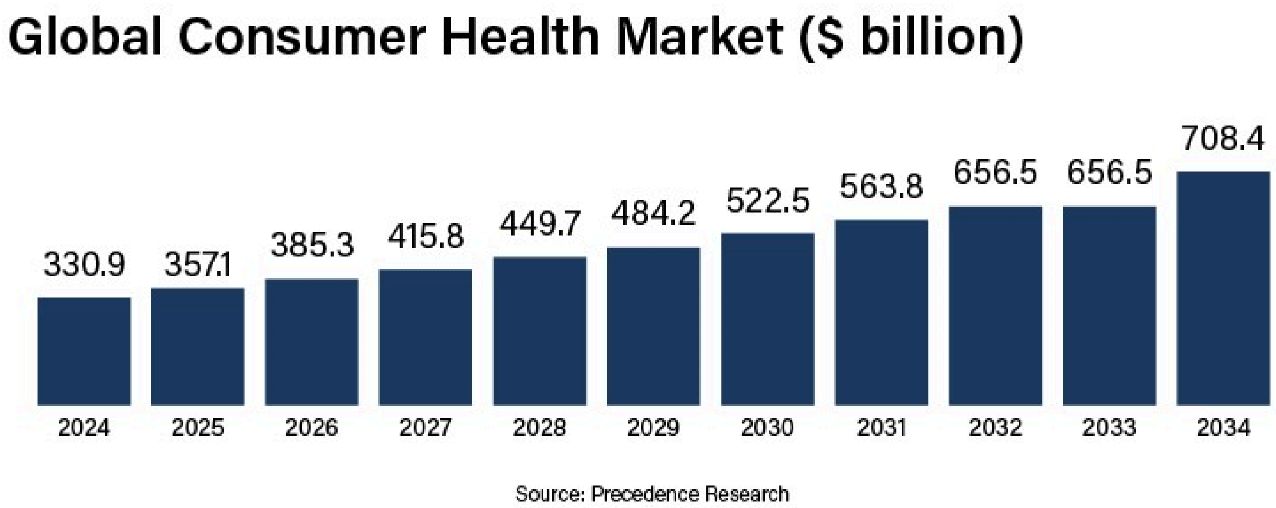
Surging growth in consumer health and beauty markets: Trends and forecasts

The global M&A market is forever evolving, and nowhere is this truer than in beauty, which has recently seen a notable surge in growth and popularity. McKinsey forecasts global beauty sales to grow six percent annually until 2028, lifting sales to almost $600 billion. Across the globe, all continents are set to witness solid single-digit growth, with the Middle East and Latin America leading the charge (please click **here** for more information).

Rubbing up against this market is consumer health—a market **set to double in size by 2034** from an estimated $357.1 billion in 2025. Consumer health is a broad church, stretching across anti-ageing products and skin care, as well as fitness and nutrition, which are increasingly in demand from affluent younger consumers. The strong underlying fundamentals of this market continue to attract astute long-term investors. A notable example is Cinven, which has recently moved to acquire Nutrisens, a France-based clinical nutrition specialist.

How all these segments stand up to the impact of tariffs in 2025 is yet to be seen. While a relatively narrow subset of the sprawling consumer goods market, the trajectory of health, beauty, and wellness highlights another important trend. Despite continuing economic and geopolitical uncertainty, there are daily luxuries that consumers refuse to do without. Moreover, long-term shifts in what people consume and how they buy it are also driving sales growth, new brand creation, and new digital channels beyond the traditional retail market. Nowhere is this more evident than at the intersection of consumer health, personal care, and beauty, where all these trends crystallise into hard capital.



Beauty in the eye of the beholder

Challenges to consumer spending have resulted in some private equity firms pulling back from the broader consumer goods sector. However, others remain intensely focused on opportunities, carving specialist niches in supporting often young and founder-led companies, or in carving out divisions from larger corporates.

Last year, L Catterton bought **Kiko Milano**, an Italian cosmetics company, for a reported $1.5 billion, a deal which it followed with the **acquisition of Stripes Beauty** – the brand created by actress Naomi Watts to normalise conversations about menopause. Other firms added to their presence in the space, including TSG Consumer, which made a **strategic investment** in the Summer Fridays skincare and make-up business with a view to driving product development, brand building, and geographic expansion.

There are also opportunities to rejuvenate existing businesses and brands, shifting their focus away from clinical treatment and towards more aspirational consumer health trends. In April, EQT agreed to the **sale of consumer health group Karo** to KKR for a reported $2.5 billion after having repositioned the business and added brands including E45 skincare and Remescar face and eyecare creams during its ownership.

Private equity firms are not the only game in town for health and beauty businesses. Strategics are also on the lookout for new growth brands that can augment their portfolios. In 2023, L'Oreal beat a field of corporates and private equity investors to **acquire Aesop for over $2.5 billion**, representing its largest acquisition to date.

We expect more assets to come to market in late 2025 and 2026, both fast-growing founder-backed brands as well as carveouts of non-core divisions from larger pharma and consumer goods groups. These will provide new opportunities for private equity firms to deploy their capital, connections, and operational expertise to fuel growth and tap into health trends. However, there are risks and evolving market dynamics, particularly in an increasingly digital marketplace, that sponsors must navigate and understand.

Unlocking international expansion opportunities

Brands born and established in one geography have growth potential in international markets. The McKinsey analysis shows expected annual retail sales growth of ten percent in the Middle East and Africa, seven percent in Latin America, and six percent in both China and North America. This is a core opportunity for those sponsors who can advertise their expertise in assisting portfolio companies with international expansion.

Ongoing uncertainty around US tariffs will present challenges for many European brands to navigate. However, brands in luxury end markets or which are seen to provide products that consumers are unwilling to give up may be less impacted by price increases. In addition, consumer health and beauty products often have extremely high margins which may help in offsetting tariff-driven price increases.

Trade policy is not the only hurdle when addressing the US market. Firms need to be aware of the potential impact of regulatory oversight. For example, while cosmetics do not require US FDA approval, if the product is marketed for therapeutic use, it may be considered a drug and thereby subject to regulatory approvals that can be time-consuming and costly. Potential acquirers need to plan and take advice early on – models that assume expansion into new markets need to be stress-tested before they are used as the basis of a strong valuation.

Hidden risks in digital expansion

One of the attractions of many new health and beauty brands is that they are digitally native and have been built online with direct-to-consumer sales. This creates a scalable, high-growth, and potentially high-margin platform that can be expanded. However, success increasingly depends on more than just having an online store. Brands are expected to offer seamless e-commerce experiences, often powered by shoppable content.

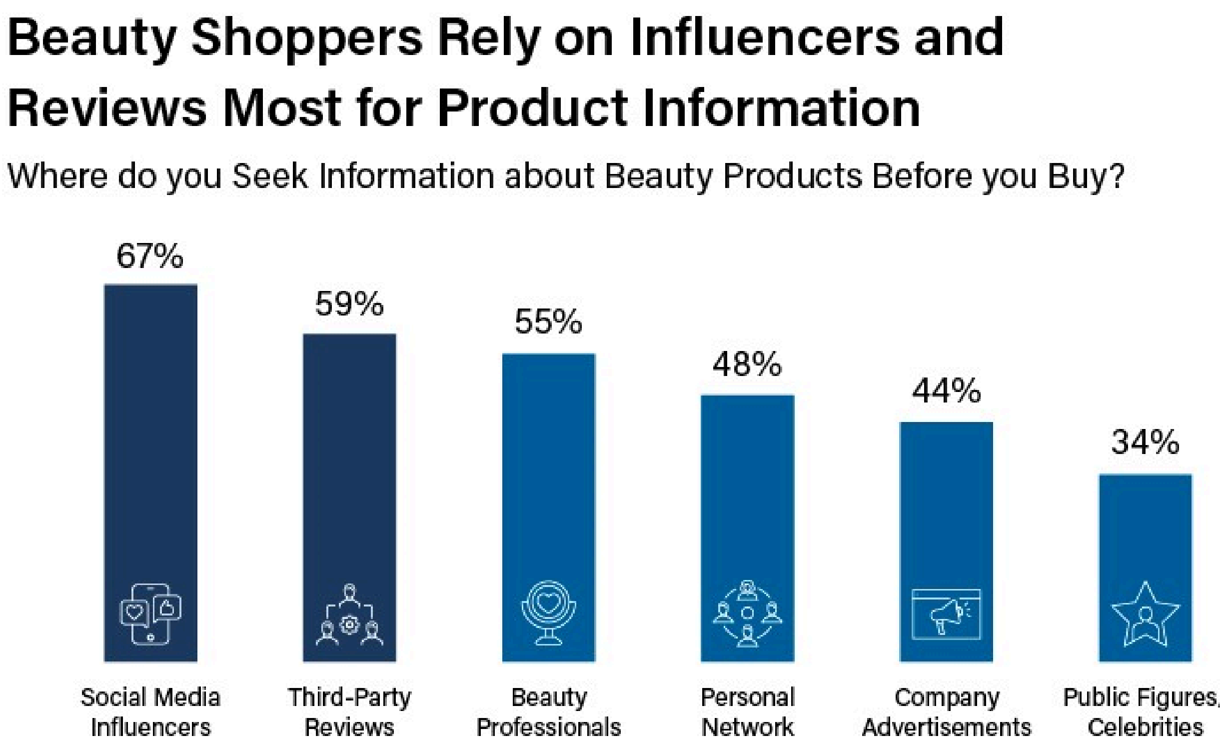
In addition to ensuring that brands have robust supply chains to secure sufficient raw materials, especially during periods of tariff-induced fluctuations in demand and supply patterns, buyers must also ensure that businesses possess resilient digital infrastructure. Attacks are common, disruptive, and can damage consumer trust. Last year, UK cosmetics brand Lush was the victim of a **ransomware attack** that claimed to have stolen company data, although the company confirmed no customer credit card details were accessed.

All businesses are at risk of cybercrime, but young companies focused on growth may lack the internal resources, investment in security, and compliance infrastructure necessary to meet data protection requirements in highly regulated markets like the UK.

Protecting intellectual property

Echoing the online sales networks of many growing health and beauty businesses, marketing is also often digital, frequently involving influencers or celebrities with wide national or international followings. While this can unlock huge potential markets, it can also open up brands to issues around the use of endorsements and “NILs” – name, image, and likeness.

For founder or celebrity-led brands, acquirers need to approach the use of identity sensitively during negotiations and understand how valuable those endorsements are to the brand. It is also essential to set clear expectations for the businesses’ future, while ensuring that companies—rather than individuals—own trademarks and have consent to register more.



Influencer or endorser agreements raise other considerations, including that brands can be liable for their influencers' statements about products. In the (not that unlikely) scenario that an often young and occasionally divisive influencer is involved in a media scandal, separation of the brand from that individual (even post any official engagement) can be difficult. AI presents another challenge in this area – brands must ensure that any AI-generated images or personas do not infringe on the rights of real individuals and that any statements they make are true.

Unlocking value in an evolving market

Shifts in consumer priorities and behaviour are providing new growth opportunities in consumer goods. This is clear at the growing intersection between consumer health and beauty, where luxury appeal also rubs up against the notion of everyday staples. However, the evolution of markets and the means for reaching increasingly digitally-savvy customers also comes with new risks and challenges. Understanding and navigating those well will ensure that private equity firms can capture value in the fastest-growing corners of the consumer market.