

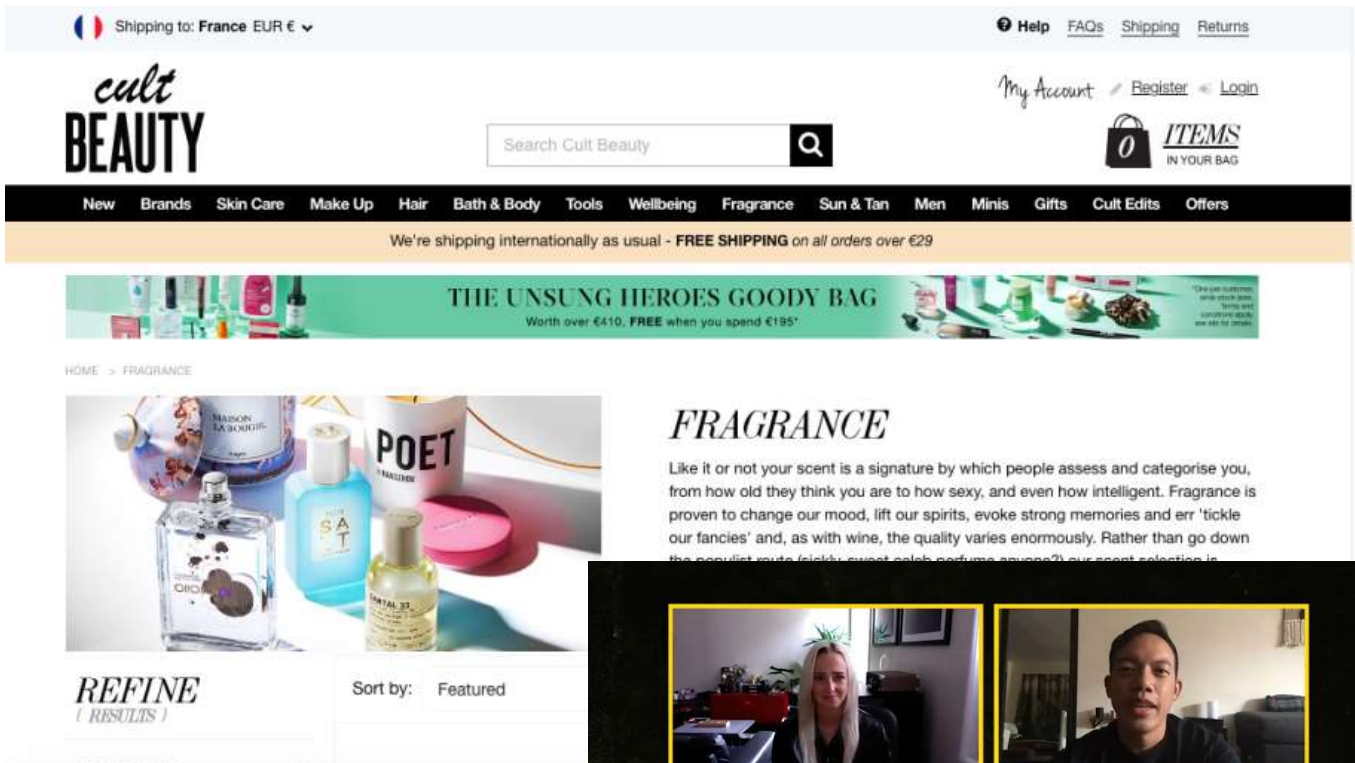
BEAUTY > BEAUTY FEATURES

The Hut Group Acquiring Cult Beauty as Pure Players See Explosive Growth

The hot luxury e-commerce property, based in the U.K., is being sold for 275 million pounds.

By **Samantha Conti, Natalie Theodosi, Jennifer Weil**

August 4, 2021, 1:18pm



From Cult Beauty's homepage. WWD SCREEN SHOTS

LONDON — In its quest for growth and expansion, The Hut Group is acquiring Cult Beauty as Pure Players See Explosive Growth (<https://wwd.com/tag/beauty-2>)



Cult Beauty (<https://wwd.com/tag/cult-beauty/>), a hot luxury e-commerce property, for 275 million pounds.

The U.K.-based group will purchase the digital platform on a cash and debt-free basis from private shareholders, including co-chief executive officer Alexia Inge and majority investor Mark Quinn-Newall, who also cofounded Net-a-porter.

The appeal of the deal includes Cult **Beauty** (<https://wwd.com/beauty-industry-news/beauty-features/beauty-product-purchases-swell-in-lip-hair-styling-1235074642/>)'s close-knit partnership with independent beauty brands that are not currently available on THG's e-commerce platform. **Cult Beauty** (<https://wwd.com/beauty-industry-news/beauty-features/matthew-moulding-takes-action-thg-after-tumultuous-year-1235028677/>) stocks more than 300 brands, including the likes of Drunk Elephant, Charlotte Tilbury and Huda Beauty — two-thirds of which have no other presence on existing THG beauty sites.

“Cult Beauty is frequently the partner of choice for emerging indie brands due to its personalized, content-led approach and enthusiastic consumer base, who are continually seeking new, innovative solutions to complement their beauty routines,” said Matthew Moulding, executive chairman and CEO of THG, in a statement released Wednesday. He also highlighted the retailer's network of 1.7 million engaged beauty shoppers and 1.6 million Instagram followers.

The idea is to keep Cult Beauty's separate branding and identity intact, and use the THG infrastructure to spearhead international expansion, since less than 50 percent of the platform's sales are from overseas.

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There's an opportunity, as well, to offer Cult Beauty's brand partners access to THG's beauty box subscription business, digital marketing services and manufacturing know-how.

Within six months of the acquisition, THG will launch Cult Beauty on its THG Ingenuity technology platform, which offers trading, merchandising, marketing, real-time data and 14 THG fulfillment centers globally. The platform has seven content studios delivering digital brand-building and content-creation, in-house product development and manufacturing.

THG expects Cult Beauty to contribute sales of about 60 million pounds in the remainder of 2021, and in 2022, sales of 140 million pounds. (Cult Beauty has historically delivered higher percentage growth rates.)

The deal also expands THG's retailing scope: It can now serve Asia, Europe and the U.K. through both Cult Beauty and its existing site, Lookfantastic, according to Moulding. THG plans to focus on North America through Lookfantastic and professional ski care retailer Dermstore.com.

The Cult Beauty deal comes in the wake of Sephora's **recent purchase of another U.K. beauty retailer, Feelunique.com (<https://wwd.com/beauty-industry-news/beauty-features/sephora-acquiring-uk-online-prestige-beauty-seller-feelunique-1234887383/>)**, in its bid to penetrate the lucrative British beauty market.

As online pure players, Feelunique and Cult Beauty saw significant growth during the coronavirus pandemic. The pandemic also had an appeal. In past years, both companies have struggled to get the valuations they were aiming for.

Today, with department stores — or at least their beauty brands in the U.K. — shutting down,



the norm among increasing numbers of consumers, and Cult Beauty, in particular, will have a fresh appeal in its underpenetrated markets, including the U.S. and China.

Cult Beauty's price tag is thought to have been double that of Feelunique's, although Sephora did not disclose the value of the Feelunique deal.

An industry source said there is major scope for growth at Cult Beauty, and an opportunity to capture the high-spending consumers in these markets.

Among Cult's 1.7 million users, core customers are understood to be spending tens of thousands of pounds a year on its highly curated selection beauty products, treatments, tools and home fragrances sourced from an international array of "cult" brands, ranging from niche to household names.

THG's objective, the source added, will be to build up this big-spending base and make it more global, with a particular focus on the U.S. and China.

Carmen Busquets, Cult Beauty's chairwoman, a serial entrepreneur and a cofounder of Net-a-porter, said Cult has always been a fiscally disciplined and inclusive business, both in terms of management and ownership, and those qualities have been recognized by the market.

Fifty percent of the company's board is female, as are Cult's two founders and chair.

"Having built a career in the U.K. over 21 years as an entrepreneur, cofounder and investor, I know that its corporate system offers companies with small capital a chance to succeed, and Cult Beauty is a shining example," Busquets said. "I would encourage more entrepreneurs to start their businesses in an economic, sustainable and responsible way, where women can lead successful brands."

Cult Beauty was founded in 2007 by [redacted] to curate the vast offering of beauty or [redacted] products and uncover the hottest brands.

"The scourge of our times is the exorbitant price of beauty products. I wanted to create a beauty retailer that



on themes or trying to deal with a specific concern. I see Cult as a cult of perfection. That's the vibe behind it. It's something that people can really easily get behind."

The beauty e-tailer stands out in a crowded digital marketplace for its shrewd assortment of products, including Huda Beauty's #FauxFilter Foundation, Anastasia Beverly Hills Dipbrow Pomade and Summer Fridays Jet Lag Mask, as well as Pixi's Glow Tonic, Lime Crime's Venus XL Palette and Indie Lee's Brightening Cleanser.

DeLuca, Cult's chairwoman and former CEO, said: "To see my original vision for Cult Beauty come to life as a global business that drives integrity, innovation and transparency in the beauty industry has been a dream come true.

"The ROI of Cult Beauty demonstrates the enormous and largely untapped opportunity to invest in sustainable, women-fronted businesses," DeLuca continued. "I will forever be grateful for Mark Quinn-Newall and his ASD-driven [autism spectrum disorder] brilliance, and for Carmen Busquets and her mentorship, which have been integral to Cult Beauty's success.

"Mark Quinn-Newall's ASD has been integral to the success of Cult Beauty," continued DeLuca. "We took very limited investment and needed to be especially efficient with all of our spend. In 30 seconds, Mark can see patterns, trends and opportunities in data on a spreadsheet that would take a 'neurotypical' hours to see. He allowed us to laser focus our efforts on the activities that brought the biggest results and uncovered opportunities that we would not have seen without his input."

Busquets added: "Mark's autism is a gift, and allowed him to take data analytics at Cult to another level. He was able to set up programs to extract the specific data we needed — about purchasing habits — with a capacity for very complex analysis."

Quinn-Newall, Cult Beauty board director and former business, said, "After cofounding Neiman Marcus, I learned of how Jess DeLuca had developed Cult Beauty. It was clear this was what I had been



“Today’s acquisition is vindication of Jess’ vision and the team’s collaborative effort led by Alexia Inge and Steve Kirk,” Quinn-Newall continued. “I would also like to thank Carmen Busquets, who as chairwoman over the last year has been an important guiding force.”

Inge said: “I’m very excited about the opportunities of scale, ingenuity and technological advancement that come with a THG acquisition; joining forces will allow Cult Beauty to supercharge the platform we’ve built and take it global.”

Threadstone Capital served as financial adviser to Cult Beauty in the deal. William Susman, Threadstone’s managing director, said Cult Beauty “has demonstrated that they are the industry leader in beauty e-commerce. **The Hut Group** (<https://wwd.com/tag/the-hut-group/>) appreciates this opportunity, and strives to maintain a leadership position in global e-commerce.”

THG’s acquisition of Cult Beauty is the latest in a string of purchases in the beauty and wellness markets over the past 12 months.

The company, which owns a host of retailers, brands and manufacturers, and builds and operates websites for third parties, went public last September on the London Stock Exchange.

Since then, it acquired skin care brand Perricone MD brand for \$60 million in cash, adding the U.S. brand to a beauty stable that already included Espa, Christophe Robin, Illamasqua, Mama Mio, Eyeko and Ameliorate.

“The online beauty and skin care sector is growing rapidly, and this acquisition enables us to further strengthen our position as the world’s leading pure-play, speciality beauty brand owner and retailer,” Moulding said at the time of Perricone MD’s purchase.

In December 2020, **THG snapped up Dermstore.com** (<https://wwd.com/the-hut-group-swoops-on-professional-skin-care-1234686987/>) for \$350 million in cash, calling the company as “the number-one pure-play skin care and specialty beauty brands.”



THG began life selling games and electronics online, eventually moving into beauty and wellness, when Moulding realized he could generate hefty margins and make a difference in the industry by enabling brands large and small to spread their reach; developing and marketing new products, and offering back-office services to companies of all sizes.

In addition to its investments in beauty and wellness, THG also has a portfolio of hospitality businesses, including two high-end hotels in Manchester and a health club and spa in Cheshire, England. Two years ago, it acquired Language Connect, a language translation and localization services company, to help it build websites and businesses in markets worldwide.

According to sources, THG was competing for the purchase of Cult Beauty with a number of rivals, including Sephora, Manzanita Capital and Asos, all of which saw upticks following the pandemic-related boom in online sales.

In the U.S., the U.K. and Continental Europe, the race is on to grab a share of the online beauty market: Last year, Boohoo bought the defunct Debenhams, saying it plans to leverage the department store's brand relationships and cultivate its loyal clientele.

Boohoo and its rival Asos are undoubtedly eyeing the success that British fashion and lifestyle giant Next has had in the sector.

In 2019, Next bought the online premium beauty and well-being retailer Fabled by Marie Claire from Ocado Group and began rolling out physical beauty and home concept stores in the U.K. to house the hundreds of labels it currently carries.

Then there's Amazon, which has been building premium beauty brands, including RéVive Skincare and Clé de Peau, into its new Amazon Luxury Stores offer. During the pandemic, the multibillion-euro market opened up to more retailers.

"Platform economy is the business of the future," said at the time. Group CEO, said at the time.

The big groups are also vying for a share of the market, with Amazon acquiring 25 percent of Origines-par



selective fragrance brands, last year; L'Oréal taking a minority share in the social-selling platform Replika Software Inc., while Shiseido has a stake in Violet Grey.

FOR MORE, SEE:

The Hut Group Swoops on Professional Skin-care Retailer Dermstore.com
[\(https://wwd.com/beauty-industry-news/skin-care/the-hut-group-swoops-on-professional-skincare-retailer-dermstore-com-1234686987/\)](https://wwd.com/beauty-industry-news/skin-care/the-hut-group-swoops-on-professional-skincare-retailer-dermstore-com-1234686987/)

Sephora Widens Its Reach as Beauty's Retail Landscape Shifts
[\(https://wwd.com/beauty-industry-news/beauty-features/sephora-keeps-widening-reach-beautys-retail-landscape-shifts-1234887767/\)](https://wwd.com/beauty-industry-news/beauty-features/sephora-keeps-widening-reach-beautys-retail-landscape-shifts-1234887767/)

Cult Beauty Partners With Provenance to End Greenwashing With Blockchain Technology
[\(https://wwd.com/beauty-industry-news/beauty-features/cult-beauty-provenance-end-greenwashing-with-blockchain-technology-1203378705/\)](https://wwd.com/beauty-industry-news/beauty-features/cult-beauty-provenance-end-greenwashing-with-blockchain-technology-1203378705/)

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