

# MARCH INSIGHTS PAPER: DERMATOLOGY & AESTHETICS

From medical needs, to beauty aspirations, the dermatology & aesthetics market is proving itself to be more than skin-deep

## Market Overview



Underpinned by strong interest from both financial investors and strategic acquirors, deal volumes maintain an upwards trajectory



Upwards market trend driven by a global ageing population and individuals prioritising their own wellbeing and skin care



Untapped market potential in geographies with stronger-than-average market growth, such as Asia-Pacific



Technological advancements have created opportunities for more individualised treatments, as well as increasing affordability and accessibility



An increasing prevalence of skin disorders and diseases has been seen globally, with a focus on early detection and prevention



Demand for minimally invasive and non-invasive treatments has driven the development of novel aesthetic products and medical devices

## The Dermatology & Aesthetics sector had continued to experience growth in 2023

2023 saw remarkable growth in the Dermatology and Aesthetics market, which reached a value of c.\$35 billion globally, and it shows little signs of slowing, forecasted to be worth over USD \$102 billion by 2035<sup>1</sup>. This presents a compelling proposition for investors seeking a thriving and durable sector with a long-term upward trajectory. Key drivers fuelling this growth include:

- **Ageing population:** As the population ages, the need for dermatological care and the desire to maintain youthful appearances naturally increase.
- **Growing disposable income:** Increased spending power, coupled with a rise in affordable products allows more individuals to access aesthetic treatments, further expanding the market.
- **Increasingly health-conscious consumer base:** With a long-term trend in the prioritisation of healthy ageing and wellbeing, consumers are increasingly investing in products and services in the aesthetics space.
- **Rising demand for non-invasive procedures:** Consumers increasingly favour minimally invasive options, seeking both medical and aesthetic solutions without the downtime associated with traditional surgery.
- **Technological advancements:** Innovations like lasers, injectables, and AI-powered diagnostics are creating more effective and personalised treatments, driving market expansion.

### Global Medical Aesthetics Market Size, 2023-2035<sup>1</sup> (USD \$)

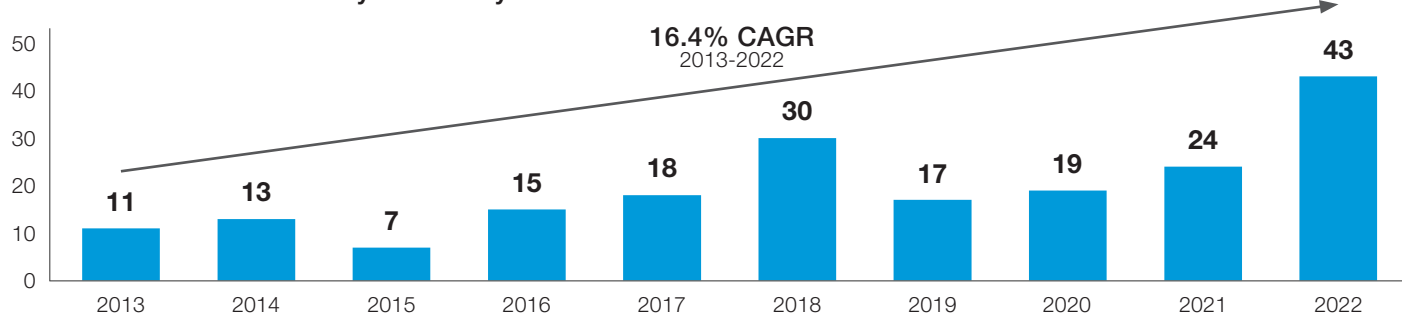
**\$34.6B**  
in 2023

**\$102.2B**  
in 2035



## M&A Activity

Number of Transactions on y-axis and year on x-axis<sup>1</sup>



The Dermatology & Aesthetics market is seeing historically high M&A volumes as the market shows durability and continuing consolidation opportunity.

The key factors contributing to the market's attractiveness include:

- **Resilient nature:** The market has demonstrated a strong ability to recover quickly from economic downturns, offering a degree of stability for investors
- **Untapped market potential:** Emerging markets like Asia-Pacific offer significant potential for future growth, creating opportunities for expansion
- **Continued innovation:** Acquirors are continuously working to find innovative products and services that can generate better results for their customers, particularly those focused on cutting-edge technologies, fostering further innovation, market consolidation and M&A.

Historically, transaction volumes have been dominated by large dermatology and aesthetic clinic operators, such as UK brand Sk:n, absorbing independent or small groups of practices. More recently, the focus of acquirors is shifting towards developers of aesthetic products and devices. The increasing desire from consumers for non-invasive therapies and procedures is driving the demand for novel products and medical devices that can achieve desired results without the downtime associated with surgical treatments. Such assets appeal to aesthetics businesses with an established product suite looking for portfolio expansion, but also large clinic platforms wishing to diversify their service offering through vertical integration. Technologically-focused businesses are particularly desirable assets especially amongst Private Equity as they can benefit from Intellectual Property (IP) on both entry and exit, repeat revenues and scalability.

There has been growing interest exhibited by financial investors, particularly where opportunities exist to earn significant returns on investment given the high margins on offer and international growth opportunities. A recent example is the acquisition of Aesthetic Technology (Dermalux), a UK-based company offering innovative energy-based devices for the treatment of various skin conditions, by Omni Partners in February 2023. A similar trend is visible internationally, with recent transactions including Bridgepoint's acquisition of French dermocosmetic product business Laboratoires Vivacy in November 2022, as well as Decathlon Capital Partners acquisition of US medical aesthetic technology and product business Aesthetic Management Partners in October 2022. Large corporates continue to hold the largest market share across the West and are now looking to expand into untapped markets including Asia-Pacific where the medical aesthetic market is anticipated to grow at a higher CAGR of 11.5%<sup>2</sup>. A recent example includes US operator Sistrum Medical which, through its subsidiary Alma Lasers, acquired PhotonMed, a leading Chinese distributor of energy-based devices, for \$65m in July 2023.

That said, key market players are continuing to seek out assets across Europe and the US to expand product suite, access new geographies and unlock cross-sell potential. Early 2022 saw London-based aesthetic company Sinclair Pharma's acquisition of Viora, boosting its energy-based portfolio and gaining direct commercial base in the US. Inorganic expansion offers an efficient solution to acquiring new technologies, saving on development costs and associated time, making it an appealing strategy for many corporates.

2024 therefore offers an optimistic outlook for the UK and European Dermatology and Aesthetics market. Coupled with the stabilising macroeconomic conditions and greater certainty over the trajectory of interest rates, market confidence is increasing and M&A volume in the sector is expected to surpass historical growth trends.

**Source:** <sup>1</sup> A&M Analysis; <sup>2</sup> Roots Analysis Medical Aesthetics Market Report, A&M analysis  
**Note:** Medical Aesthetic Market is Estimated to be Worth USD 102.2 Billion by 2035 Exclusive Report by Roots Analysis - Sharecast.com



## Comparable Listed Companies and Recent Transactions

Recent transactions and current trading multiples in the Aesthetic Products and Device sector show a resilient market with strong demand for high quality assets.

Comparable listed companies and key recent transactions show a resilient market with strong demand from both Private Equity and Corporate buyers. For the purposes of this analysis, we have focused solely on companies that are leading global players in the Aesthetic Product and Device sector.

Below is an analysis of EV/ EBITDA multiples for a selected range of listed businesses within the sector, demonstrating strong multiples of between 9.5x and 16.3x.

Recent transactions in the sector demonstrate a similar valuation range. A recent example includes the acquisition by SkinBio Therapeutic plc, the life science business focused on skin health, of Dermatronics, a UK-based topical and dermatological product business, at an EV/ EBITDA multiple of 13.0x EBITDA (7.4x excluding earnout potential).

## Selected Public Comparables (as at 21 February 2024)<sup>1</sup>

| Company                    | Market Cap (£bn) | Enterprise Value (£bn) | Implied EV/ EBITDA multiple |
|----------------------------|------------------|------------------------|-----------------------------|
| EL.En                      | 669.1            | 679.1                  | 9.5x                        |
| Tactile Systems Technology | 191.1            | 192.9                  | 11.3x                       |
| Lutronic Corporation       | 590.0            | 547.6                  | 16.3x                       |

Contact A&M for a broader discussion and more detailed analysis on valuation.

## Selected Precedent Transactions<sup>2</sup>

|                         |                      |                          |                          |
|-------------------------|----------------------|--------------------------|--------------------------|
| <b>January 2024</b><br> | <b>July 2023</b><br> | <b>February 2023</b><br> | <b>November 2022</b><br> |
|-------------------------|----------------------|--------------------------|--------------------------|

## Buyer Landscape<sup>3</sup>

| Buyer Group  | A&M view on acquisition capacity | Rationale  | Examples of recent acquirors |
|--|----------------------------------|--|------------------------------|
| Corporate:<br>Specialist Derma and Aesthetic Device businesses |                                  | <ul style="list-style-type: none"> <li>Dermatological &amp; Aesthetic device manufacturers looking to expand their product portfolio through acquisition of a proven, patented technology</li> <li>Cross-sell potential alongside existing product portfolio to current customers</li> </ul> |                              |
| Corporate:<br>Med-Tech manufacturers                           |                                  | <ul style="list-style-type: none"> <li>Med-Tech businesses looking to expand to adjacent markets</li> <li>Ability to expand product portfolio and capture market share in high growth subsectors</li> </ul>  |                              |
| Private Equity   |                                  | <ul style="list-style-type: none"> <li>Highly desirable, given the high-growth industry profile with several opportunities to maximise returns</li> <li>Significant potential for further bolt-on opportunities within the mid-market</li> </ul>   |                              |

Source: <sup>1</sup> Company filings and A&M Analysis. Contact A&M for a broader discussion and more detailed analysis on valuation; <sup>2,3</sup> A&M Analysis



## Sector Outlook

### Continued technological innovation to reduce discomfort and develop increasingly non-invasive solutions

Manufacturers developing innovative products and services that can generate better results with less discomfort, for example ultrasound technologies for skin tightening and laser technologies to treat disorder such as melasma. These developments will not only improve customer treatments, but will also support the move towards lower cost, more affordable treatments, driving further market expansion.

### Growing addressable market

With an ageing population comes greater prevalence of skin concerns and the need for anti-ageing solutions, driving market demand. Likewise, operators are implementing aggressive commercial strategies with the goal of attracting younger consumers to the market, and this trend is expected to continue as competition increases.

### Focus on growing repeat revenue streams and adopting vertical integration

Service line expansion into repeatable, year-on-year

offerings will become a core focus, with offerings such as annuity focused cosmetics, cosmeceuticals, skincare lines, and other elective procedures becoming particularly attractive. We will also see a further movement towards vertical integration in order for companies to reduce costs, enhance product quality and improve overall customer experience. We have seen this, for example, in the case of dermatopathology, which has started to see service line expansion and an increase in lab offerings.

### Increased levels of Financial Sponsor and Corporate interest, particularly in patented technologies

High levels of financial sponsor interest in both aesthetic and medical technologies will continue to drive higher multiples in the sector, with investors increasingly placing higher value on patented and first-of-its-kind technologies. Corporate buyers include aesthetic product manufacturers looking to expand their product offering, general medical equipment manufacturers looking to diversify their current offering and reduce reliance on a single market segment and also dermatology clinics looking to acquire new technologies to expand service offering.

## How can A&M help you

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Led by Al-Munther Sultan, A&M's Healthcare and Life Sciences M&A division is a fully resourced team of 7 dedicated individuals with extensive market and transaction knowledge. Supported by over 9,000 employees worldwide, we have a proven track record of executing sell-side and buy-side transactions.

Our wider international network of Healthcare and Life Sciences specialists comprises seasoned industry and advisory executives across the globe, able to deliver unparalleled access to the latest global market insights. We hold close relationships with companies across the industry, maintaining regular dialogue, providing access to key decision makers.

## Reference List / Bibliography

1. Roots Analysis (2023) Medical Aesthetic Market Report. [Medical Aesthetic Market is Estimated to be Worth USD 102.2 Billion by 2035 Exclusive Report by Roots Analysis](#)

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Alvarez & Marsal is a global consultancy who, for more than four decades, has set the standard for helping organisations tackle complex business issues, boost operating performance and maximise stakeholder value.

We bring operating and management expertise combined with top-tier consulting and specialised industry experience to meet the changing needs of companies and investors.

### Why choose A&M

- Integrated full-service solutions
- Senior-led, dedicated specialist team
- Hands-on approach to value creation
- Strong operational heritage
- Free from audit-based conflicts

If you are interested in exploring value realisation options or would like to find out more about our team and services, please get in touch with our Healthcare and Life Sciences specialists.

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