

L'Oréal's Acquisition of Medik8

A Strategic Prescription for Growth in Clinical Skincare

Transaction Highlights: On June 9, 2025, L'Oréal announced the acquisition of Medik8, British and science-led skincare brand, for \$1.1 billion in an all-cash transaction. This agreement marks a strategic emphasis on expanding L'Oréal's thriving dermocosmetics division which includes Skinceuticals, La Roche-Posay, and Cerave. Medik8 will join L'Oréal's LUXE portfolio upon closing of L'Oréal's majority-stake acquisition from Inflexion Private Equity Partners LLP (expected in early 2026, pending approvals). With the UK's growing regulatory clinical-skincare ecosystem, L'Oréal's acquisition signifies a priority for products within credible markets and a science-first perspective.

The \$1.1 billion price underscores the cosmetic giant's willingness to pay for clinically positioned products with global scaling potential. L'Oréal's bet on Medik8 signals confidence in its ability to grow through the conglomerate's global platform, rather than a near-term earnings accretion story. Using Medik8's assumed standalone net income of \$30 million, the purchase price implies an illustrative 36.7x P/E. Therefore, the valuation is underwriting a longer trajectory for development and rollout, instead of fast synergy capture.

On the sell side, Medik8 was advised by J.P. Morgan and Alantra. On the buy side, L'Oréal's financial advisor is not disclosed.

Rationale: This majority stake is aimed at enhancing L'Oréal's dominance in the \$98 billion dermocosmetics market while giving Medik8 a superior global distribution arm. By attaining Medik8's leading retinaldehyde formulations, L'Oréal is able to close on a clinical gap that it has faced as it continues to expand its dermocosmetic portfolio. Medik8's broad range of products completes robust skincare routines and provides enhances results through its research-backed formulas. Additionally, with the rise of preferences for active ingredients in skincare, L'Oréal is positioning itself to continue leading the conversation in science-focused routines.

By acquiring Medik8, L'Oréal now has access to the brand's portfolio and growth strategy, luxe formulas, credibility, and ability to distribute its products globally. Notably, UK skincare regulations are among the tightest in the world, which enhances L'Oréal's brand image as it continues to acquire within the dermocosmetics space.

Valuation: We model the transaction as approximately 0.1% accretive in FY1.



Consortium Research Group
Consumer | Beauty
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Transaction value:	\$1.1bn
EPS Target:	\$13.47

Current EPS:	\$13.46
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Potential Accretion:	0.1%
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Ticker:	LRLCY
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Company Overviews

Acquirer (L'Oréal) – L'Oréal is the world's leading beauty-tech company, is headquartered in Paris, and offers a mass selection of products varying across cosmetics, haircare, fragrance, skincare, and more. Founded in 1901, the brand pioneered innovation in the beauty industry and continues to emphasize those values as it integrates modern technology in its portfolio. The company's stated mission is to "create the beauty that moves the world" and serves over 150 countries.

L'Oréal is the largest beauty company by revenue with inflow surpassing \$47 billion in 2024. L'Oréal's skincare is its largest revenue category, accounting for an estimated 40% of total group revenue. Among the category are hot brands including La-Roche Posay, Cerave, and Skinceuticals. Additionally, its highest-growth segment is dermatological beauty which includes skincare brands previously mentioned and Medik8.

Target (Medik8) – Medik8 was founded in 2009 to bridge the gap between pharmaceutical and simplistic skincare. With a heavy focus on measurable results, Medik8's products target everything a consumer needs through its strategic ingredient formulation. Medik8 is known for its tangibly effective approach to skincare, "CSA", representing vitamin C, sunscreen, and vitamin A – three key ingredients in a large portion of their products. Its flagship *Crystal Retinal* line provides consumers faster results in contrast to competing retinal products and offers varying tiers. This ensures a larger consumer demographic as individuals are often experiencing different levels of ingredient intensity. Notably, Medik8 has become one of the most popular brands in terms of vitamin A skincare and clearly leads in the dermatological skincare category.

Investment Theses

We believe this is a good deal in the long run for L'Oréal, with compelling strategic rationale and a 0.1% potential accretion of its EPS in FY26.

Fills Formulation Gap: Medik8's leadership in retinaldehyde formulas including tiered, consumer education, and proven stability systems within its retinal lines completes the dermatological credibility recipe L'Oréal has been crafting. Current brands within the dermatological division are strong in a variety of active ingredients including retinol, antioxidants, vitamin C, and more – yet none focus on retinal. With increased interest in clinical-grade skincare, Medik8 provides not only the formulations that consumers look towards, but also advanced ingredients that other skincare brands have not yet capitalized on. Therefore, through Medik8's continued educational efforts, consumers will become aware of the expanded dermatological offerings that L'Oréal provides.

Premium Dermatology: L'Oréal's current dermatological positioning is found pharmacies (Cerave, La Roche-Posay, etc) and clinics (Skinceuticals). Brands found within pharmacies are perceived as less prestigious than that found in a clinic, but Medik8 sits in the middle of that perception. Due to Medik8 being a brand that is often prescribed by clinics, it is viewed as prestige dermatology without the location restrictions. L'Oréal is strategically capturing its consumers' preferences and creating an entirely new division of attainable premium dermatology.

Projections

Acquirer Financial Profile	
Fully Diluted Shares Outstanding	536.4
Current Share Price	\$427.39
Equity Value	\$229,252
EPS (TTM)	\$13.46
P/E Multiple	31.8x

Transaction Assumptions	
Offer Price Per Share	\$1,100.00
% Offer Premium	--
Offer Value (1)	\$1,100

Pro Forma Financials	
Consolidated EBT	\$9,062
Less: Interest Expense and Financing Fees	--
Less: Transaction Fees	(8)
Plus: Synergies, net	--
Less: Incremental Depreciation	(23)
Pro Forma Adjusted EBT	\$9,031
Less: Taxes	(1,806)
Pro Forma Net Income	\$7,225

Target Financial Profile	
Fully Diluted Shares Outstanding	1
Current Share Price	\$1,100.00
Equity Value	\$1,100
EPS Estimate (2)	\$30.00
P/E Multiple	36.7x

Form of Consideration	
% Stock	--
% Cash	100.0%

Pro Forma EPS	
Pro Forma Net Income	\$7,225
Pre-Deal Acquirer Shares Outstanding	536
Plus: New Shares Issuances	--
Pro Forma Diluted Shares	536

Pro Forma EPS	\$13.47
% Accretion / (Dilution)	0.1%

Post-Merger Outlook

In the next few months, L'Oréal is most-likely to keep Medik8 operationally independent in order to preserve the momentum it has built through its brand voice, credibility, and education campaigns. Therefore, L'Oréal will push to scale distribution and back-end capabilities to increase Medik8's visibility. When looking from Medik8's perspective, partnering with L'Oréal will expand its potential globally, strengthen supply chain capacity, and ease marketing efforts, especially in new regions. On L'Oréal's end, Medik8 will enhance its dermatologic skincare selection by filling in formulation and credibility gaps. Financially, there will be a modest impact as signaled in our estimated accretion of 0.1% for the first year, but over time, as Medik8 rises on a global platform, L'Oréal will see its strategic efforts pay off.

Similar to Skinceuticals, we can expect Medik8 to retain its product development cadence and credibility. While consumer-facing messaging will remain the same, L'Oréal will monitor Medik8's operations selectively and emphasize distribution and channel expansion as main benefit. With Skinceuticals, L'Oréal took slower to push the brand into mass retail and can be expected for Medik8 in order to prevent brand dilution. Nevertheless, near-term margins may be slightly pressured due to paced rollout yet will be combatted as the brand Medik8 establishes itself across the correct markets.

Over the long-term, we can expect to see L'Oréal's dermatological offerings grow and strengthen due to the introduction of high-end, dermatologist-recommended, and premium skincare in mass retail. Medik8 will most likely become L'Oréal's flagship retinal product further strengthening L'Oréal's leadership in clinical skincare and innovation. Therefore, competitors such as Estée Lauder may respond by trying to fill in their dermatological gaps – in a sense, L'Oréal is buying speed and credibility before the rest of the industry predicts it.

Transaction Risks

Brand Dilution Risk: Although previous dermatological acquisitions suggest that L'Oréal can smoothly integrate without harming credibility, Medik8 may pose a different situation due to its origin regulatory landscape. With stringent skincare regulations in the UK and less-so in the United States, consumers may believe that formulations will change/less research will be invested to improve margins. While L'Oréal has a

track record of providing brands with autonomy, Medik8 users may view the company different than before due to recent animal-testing and reformulation rumors surrounding L'Oréal.

UK Regulatory Ecosystem: In contrast to the United States, UK and generally, the E.U., operates under a compliance heavy program when it comes to ingredients, portions, and combinations in skincare. From the strict ingredient concentration limits, which for Medik8 – retinal is closely observed due to its strength, to the permission by lid type, L'Oréal may face a harsher time ensuring that everything is transferable in the majority stake. Additionally, due to Medik8's "clinical" labeling, all products must undergo robust levels of oversight in contrast to other skincare brands. Ultimately, this signals extra work in terms of compliance for L'Oréal, but also a strength for its skincare credibility image.

About \$AAAA and \$BBBB

L'Oréal, founded in 1909, operates as the world's leading beauty and personal care company, offering a broad portfolio of products across skincare, cosmetics, haircare, and fragrance. Headquartered in Paris, L'Oréal serves consumers in over 150 countries through its mass, luxury, professional, and dermatological beauty divisions. The company is known for combining scientific research, brand innovation, and global scale to drive growth, with skincare representing its largest and most strategic category. L'Oréal's mission is to create the beauty that moves the world through innovation, sustainability, and inclusive access to beauty.

Medik8, founded in 2009, operates as a science-led skincare company focused on high-efficacy, clinically inspired formulations. Headquartered in the United Kingdom, Medik8 specializes in active ingredients such as vitamin A, vitamin C, peptides, and exfoliating acids, and is best known for its retinaldehyde-based products. The brand follows a simplified skincare philosophy centered on vitamin C and sunscreen by day and vitamin A by night, positioning itself within the premium dermatological skincare segment. Medik8 serves a global consumer base through e-commerce, professional, and specialty retail channels, with a strong reputation for results-driven, clinical-grade skincare.

Disclosures & Ratings

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Appendix

Merger Model			
(\$ in millions except per share figures)			
Acquirer Financial Profile		Target Financial Profile	
Fully Diluted Shares Outstanding	536.4	Fully Diluted Shares Outstanding	1
Current Share Price	\$427.39	Current Share Price	\$1,100.00
Equity Value	\$229,252	Equity Value	\$1,100
EPS (TTM)	\$13.46	EPS Estimate (2)	\$30.00
P/E Multiple	31.8x	P/E Multiple	36.7x
Transaction Assumptions		Form of Consideration	
Offer Price Per Share	\$1,100.00	% Stock	--
% Offer Premium	--	% Cash	100.0%
Offer Value (1)	\$1,100	Cash/ Debt Toggle	--
Cash Consideration (All-Debt Funded)		Stock Consideration	
Offer Value	\$1,100	Offer Value	\$1,100
% Cash	100.0%	% Stock	--
Total Debt Financing	--	Stock Consideration	--
Financing Fee	--	Number of Acquirer Shares Issued	--
Financing Fee % Total Debt	--		
Borrowing Term	0 Years		
Financing Fee Amortization	--		
% Interest Rate (3)	--		
Annual Interest Expense	--		
Purchase Price Accounting		Deal Assumptions	
Offer Value	\$1,100	Synergies, net (4)	--
Less: Net Tangible Book Value (5)	100	Transaction Fees	\$8
Purchase Premium	\$1,000	Transaction Fees % Offer Value	0.8%
Less: PP&E Write-Up	(10)		
Less: Intangibles Write-Up	(450)		
Plus: Deferred Tax Liability (DTL)	92		
Goodwill Created	\$632		
Accretion/Dilution Analysis		Asset Write-Ups	
Acquirer Standalone Net Income	\$7,220	% Allocation to PP&E (6)	1.0%
% Tax Rate	20.0%	Useful Life Assumption	20 Years
Earnings Before Taxes (EBT)	\$9,025	Incremental Depreciation	\$1
		% Allocation to Intangibles (6)	45.0%
		Useful Life Assumption	20 Years
		Incremental Amortization	\$23
Pro Forma Financials		Pro Forma EPS	
Consolidated EBT	\$9,062	Pro Forma Net Income	\$7,225
Less: Interest Expense and Financing Fees	--		
Less: Transaction Fees	(8)	Pre-Deal Acquirer Shares Outstanding	536
Plus: Synergies, net	--	Plus: New Shares Issuances	--
Less: Incremental Depreciation	(23)	Pro Forma Diluted Shares	536
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