

# Private Equity in Direct Selling, Republished with Permission of WorldofDirectSelling.com

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November 23, 2015 by Hakki Ozmorali, Editor of World of Direct Selling

Investments that are directly made into a private company or that are used to buyout in order to delist a company from a stock exchange is “private equity”. It can be raised from individual investors, institutional investors or sometimes, from a group that act together. As a source of fund, private equity can be used by company managements for a variety of purposes, ranging from turning around a distressed business to further accelerating the already existing growth.

When investing, usually the investor sets an objective and a time frame to achieve it. As soon as that objective has been met, investor sells its stake and “exits”.

Obviously, outside investors pick the industries and companies to invest from those that are promising to them. Let’s see then, how attractive the direct selling industry has been to these investors. We will briefly review this week, some of the prominent examples from the industry.

### [5LINX](#)

Founded in 2000, 5LINX is a direct-sells three main categories of products: Home essentials like telecommunications and energy, wellness products, and business services such as mobile marketing and payment processing. As of end-2014, 5LINX reported \$109 million sales.

In 2006, [Trillium Group](#) and the [New York State Common Retirement Fund](#) made a \$1.7 million investment in 5LINX. Eight years after this in 2014, New York State Comptroller’s Office [reported](#) this investment had generated a \$6.7 million return – close to four times the original investment.

### [Arbonne](#)

In 2004, [Harvest Partners](#) purchased NPG, Arbonne's parent company. Things did not go so



well, though. Arbonne's holding company and all its subsidiaries filed for bankruptcy in 2009. The company's board made the decision to restructure the debt to equity and allowed the company's lenders to become the owners. The company officially declared bankruptcy in January 2010. But in several weeks, Arbonne [emerged](#) from bankruptcy. Arbonne announced in early 2011 that its parent company NPG had been named the winner of the "[Corporate Turnaround of the Year](#)" award by the M&A Advisor magazine.

Having survived this turmoil, Arbonne stands now as the world's 36th largest direct seller with 2014 sales of \$486 million in the Direct Selling News Global 100 list.

### [Blyth](#)

Blyth is known as the parent company of [PartyLite](#) that also owned the majority of the shares in [ViSalus](#) between 2012-2014. In August 2015, The Carlyle Group [announced](#) it would acquire Blyth for \$98 million. The price paid for shares represented a premium of approximately 105% percent over the closing price of Blyth common stock at that date.

### [CAbi](#)



"CAbi" stands for "Carol Anderson by Invitation". It was founded in 2001 as a clothing direct seller. [CAbi was bought](#) in 2012 from its founders by the private equity firms [Irving Place Capital](#) and [J.H. Whitney](#).

With its more than 3,000 "Stylists", company's revenue exceeds \$250 million.

### [CVSL](#)

CVSL is definitely a unique case in the global direct selling industry. The company defines itself as "a unique portfolio of direct-to-consumer companies, led by an experienced management team, engaged in a long-term process of acquiring companies in this sector and maximizing returns for shareholders."

CVSL is led by [John P. Rochon](#), a well-known figure in the industry. So far, the company has invested in the direct sellers [Agel](#), [Betterware](#), [Kleeneze](#), [Longaberger](#), [Paperly](#), [Tomboy Tools](#), [Uppercase Living](#), and [Your Inspiration at Home](#).

CVSL is a public company whose shares are being traded on the New York Stock Exchange.

## LegalShield (formerly Pre-Paid Legal Services)

LegalShield was founded in 1969 by Harland Stonecipher under the name of Pre-Paid Legal Services. As its name implies, the company sells legal service plans to individuals and businesses.

MidOcean Partners, a private investment firm acquired the company in 2011 through a cash transaction valued at approximately \$650 million.

## LR Health & Beauty Systems

Called “LR” in short, this is a well-known Germany-based direct selling company. It was



founded in 1985 by two entrepreneurs, Helmut Spikker and Achim Hickmann.

In 2004, Apax Partners invested in LR and then gradually acquired a majority share. Apax Partners is a leading private equity investment group, with the funds under the advice of Apax Partners exceeding \$35 billion around the world.

Apax Partners said in 2012, it had agreed to sell its stake at LR to a private equity consortium of Bregal Capital and Quadriga Capital.

LR’s 2014 revenue exceeded \$300 million.

## Oriflame



Oriflame was founded in Sweden in 1967 by the brothers Jonas af Jochnick and Robert af Jochnick and their friend Bengt Hellsten.

While its shares were being traded on the London Stock Exchange, Industri Kapital, a leading European private equity firm bought 45% of Oriflame’s shares in 1999. With this transaction, Oriflame was delisted from the stock exchange, too. Industri Kapital’s this transaction valued Oriflame at approximately 450 million Euros at that time.

In line with the initial plans, the management listed the company on the Stockholm Stock Exchange through an IPO (“Initial Public Offering”) in 2004. Following this, Industri Kapital started selling its shares on the stock exchange and exited by selling its remaining 4.5% stake in August 2006.

## [Origami Owl](#)

Origami Owl is a custom jewelry direct seller founded by a teenager, Bella Weems and her family in 2010. Two years later in 2012, company's revenue exceeded \$24 million. Origami Owl's 2014 sales was [\\$250 million](#).

In October 2014, Origami Owl [received](#) \$43 million from [Gauge Capital](#). [Satori Capital](#) had also invested in Origami Owl an amount not disclosed.

## [Pampered Chef](#)

Pampered Chef is probably the most publicized of these examples due to its investor's very high



profile.

In 2003, Warren Buffett's company [Berkshire Hathaway](#) which owns stakes in big names like American Express and Coca-Cola, announced it would buy Pampered Chef, few days after Buffett reviewed its financials. At that time, Warren Buffett [said](#), "We are extremely excited by Pampered Chef. Doris Christopher has created from scratch an absolutely wonderful business."

Doris Christopher [founded](#) Pampered Chef in 1980 to direct-sell kitchen tools by borrowing \$3,000 on a life insurance policy. By 2001, company's annual sales reached \$740 million.

In late 2014, Warren Buffett appointed his aide [Tracy Britt Cool](#) as the CEO of Pampered Chef. At the age of 30, Cool was known to be one of Buffett's most trusted advisers,

## [Pippa&Jean](#)

Pippa&Jean is a German direct sales company selling accessories. The company [received](#) investments from [Holtzbrinck Ventures](#), [Klingel Gruppe](#), [SevenVentures](#), and [Vorwerk Direct Selling Ventures](#).

## [Stella & Dot](#)

stella & dot

This company was founded by [Jessica Herrin](#) and Blythe Harris in 2007. In 2010, [Sequoai Capital](#), that was said to control nearly 14% of Nasdaq, [invested \\$37 million](#) in Stella & Dot. With this, Sequoia owned 10% of the company, valuing Stella & Dot \$370 million. Before this, the company had also raised about \$5 million from Radar Partners

Stella & Dot's sales in 2009 was \$33 million. It more than tripled in 2010 reaching \$104 million. This became \$220 million in 2013.

It is true that capital raised from private equity companies helps businesses a lot. However, raising capital from institutional investors is not an easy task. The future of the industry, founders' success till then and their visions, all play a part in attracting investors' initial interest. Shortly after these though, comes their search for professionalism within the company, including of the founders' and top management's. It's always worth remembering that only those that pass all these tests can win that valuable financial support.

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