Unilever takes on Gillette with $1 billion Dollar Shave deal

Unilever acquired Dollar Shave Club LLC in a deal said to be worth about $1 billion, gaining a firmer foothold in the burgeoning market for male grooming products

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San Francisco/London: Unilever acquired Dollar Shave Club LLC in a deal said to be worth about $1 billion, gaining a firmer foothold in the burgeoning market for male grooming products and opening up a new front in its battle against Procter & Gamble Co.

The Anglo-Dutch consumer products maker will pay cash for the US toiletry delivery business, said people familiar with the deal, who asked not be identified as the terms weren't disclosed. A Unilever spokesman declined to comment. The maker of Dove soap said it expects to close the purchase in the third quarter.

Unilever will look to expand the subscription model Dollar Shave Club has used since 2012 to accumulate 3.2 million customers and take on brands such as P&G's Gillette and Edgewell Personal Care Co.'s Schick in the estimated $3 billion US men's shaving products market. It's Unilever's biggest US acquisition since its $3.7 billion purchase of haircare maker Alberto Culver in 2011, and it follows Danone's purchase of WhiteWave Foods Co. as European companies seek the safer haven of the US economy in the wake of Britain's vote to leave the European Union.

Five Times projected 2016 revenue

At the $1 billion price, Unilever is paying five times projected 2016 revenue, a valuation that Exane BNP analyst Jeff Stent said is inflated because the target "has seemingly not made any money and is being replicated by all manner of competitors." Dollar Shave Club started to lose share in 2015, most notably to Gillette's new online shave club, analysts at Euromonitor said in a note.

Putting Unilever's resources behind Dollar Shave Club will make life more difficult for P&G, Stent said. The two companies already battle it out in markets like shampoo and deodorants in the US.

Online shave clubs are attracting consumers with better value for money, along with the convenience of having razors delivered and clever marketing, Euromonitor said.

Venice, California-based Dollar Shave Club has used advertising that pokes fun of the high price and overly technical nature of branded razor blades to boost its sales, which have grown from $4 million in 2012 to $152 million last year.

Members can pay $1 a month for 5 cartridges of a simple two-blade razor or $9 a month for 4 cartridges of a six-blade product dubbed "The Executive." More recently it's expanded into hair pomade, skin moisturizers and even toilet wipes called "One Wipe Charlies" to compete in the fast-growing market for male toiletries.

Global sales of men's grooming products like face creams, eye rollers and exfoliating scrubs are expected to grow 3% annually through 2020. E-commerce will be a key driver of personal-care sales as online demand strengthens, according to *Bloomberg* Intelligence analyst Deborah Aitken. Amazon.com Inc. customers can get a dozen Gillette Fusion blades delivered on a repeating subscription basis for $34.19.

Michael Dubin, Dollar Shave Club founder and chief executive officer, will continue in the role, according to the statement. Representatives for Dollar Shave Club could not be reached outside California office hours. **Bloomberg**