Mecca, Sephora blamed as Napoleon Perdis enters administration

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An influx of international and independent beauty brands contributed to the collapse of Australian-grown cosmetics empire Napoleon Perdis Group, which has stepped up a search for buyers after appointing voluntary administrators.

Napoleon Perdis Cosmetics was once one of Australia's top 500 private companies, with sales of more than \$100 million a year, 85 concept stores, 100 department store counters and 750 independent stockists.

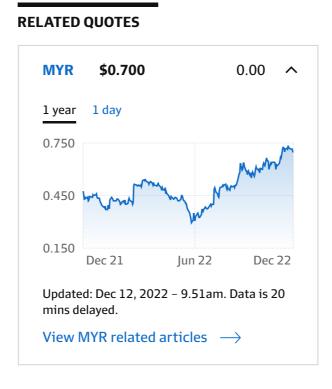
But beauty industry sources and bankers say the company lost market share to Jo Horgan's Mecca Cosmetica, LVMH's Sephora and scores of niche beauty brands, and was struggling to stay afloat without an injection of new capital.



Napoleon Perdis Cosmetics was once one of Australia's top 500 private companies, with sales of more than \$100 million a year. **Wesley Lonergan WLO**

"Instagram has changed the beauty industry; the Australian customer has a lot more choice," one industry source said on Thursday after Napoleon Perdis appointed Simon Cathro, Chris Cook and Ivan Glavas of Worrells Solvency Accountants as administrators after unsuccessfully looking for buyers over the last few months.

"[Napoleon Perdis] had the market captured for a long time but as more choice came in it became harder for that business to compete without cash," the source said.



Napoleon Perdis, who founded the business 24 years ago, appointed Sydney-based investment bank Allier Capital in late 2017 to find investors willing to fund the company's expansion plans, which included re-entering the US market and expanding into Asia, the Middle East and Europe.

However, it is understood potential investors were spooked by the rapid growth of Mecca [https://www.afr.com/business/retail/mecca-brands-goes-mega-as-sales-soar-20180531h10smz] and Sephora, [https://www.afr.com/business/retail/sephora-sets-up-shop-in-davidjones-20180918-h15jeq] which now dominate the \$2.4 billion premium beauty market.

Speaking on Your Money Live on Thursday night, Mr Perdis also blamed "greedy landlords," who refused to allow the company to close stores even as foot traffic in shopping centres fell and online cosmetics sales soared.

Christmas weak

While Mr Perdis had been looking to raise capital or find buyers for 18 months, the immediate trigger for the administration was weaker than expected Christmas trading.



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A spokeswoman for Worrells said sales during December and January were slower than expected and this contributed to the directors' decision to appoint administrators.

According to the latest available ASIC records, Napoleon Perdis' sales fell 10.7 per cent to \$83.3 million in 2015 but losses were trimmed to \$154,808 after losses of \$1.6 million in 2014.

In a statement released through Worrells, Mr Perdis said: "The brand is still in high demand from our customers and is more innovative than ever, so by restructuring the business in this manner, we believe, puts it in a prime position to continue to evolve through continued trade or in a sale.

"My family and I are 100 per cent committed to achieving the best outcome for all stakeholders. As we work towards our goals, we ask customers, suppliers and other interested parties to continue with their valued support of the brand," he said.

The administrators have vowed to continue to trade all 56 stand-alone Napoleon Perdis stores while they look for buyers and attempt to restructure the business. However, it is understood that half the stand alone stores could close.

Interested parties

"Since administrators were appointed, we have received a number of calls already from interested parties and the discussions have been very positive," a spokeswoman said.

Napoleon Perdis has an exclusive distribution agreement with health and beauty retailer Priceline and launched in more than 200 Priceline stores in August 2018.

It has concession stores in department store chain Myer. However, Myer is believed to have been unhappy with the move into Priceline and threatened to pull the plug on the concession agreement late last year. Myer declined to comment on Thursday.

Napoleon Perdis also closed concessions in David Jones and pulled out of hundreds of independent retailers last year, in favour of the Priceline agreement, and shuttered about 20 stand-alone stores.

Priceline owner Australian Pharmaceutical Industries, which is a creditor, has vowed to continue to support the business during the administration process.

"The Napoleon Perdis brand is an iconic brand of Australia with substantial value and relevance within the cosmetic industry, both for Australian and international markets," Mr Cathro said. "We expect the appointment will generate significant interest in the sale of the business."

However, given the company's extensive business structure, distribution network and stockist agreements, establishing its financial position would be a complex process.

The first creditors meeting is expected to be held in eight business days.

Napoleon Perdis is the second well-known retail chain to collapse this month — menswear chain Ed Harry went into administration on January 14 — following an unprecedented drop in foot traffic at retail stores in the weeks before Christmas.

Sue Mitchell writes the fortnightly Window Shopping column for the Financial Review and has covered retailing for over 30 years. *Connect with Sue on Twitter. Email Sue at smitchell*2045@gmail.com