



TOPSPIN CONSUMER PARTNERS: LEVERAGING TECH TO CAPITALIZE ON AN E-COMMERCE BOOM

The Largest Network of Diverse- Owned
Private Equity Firms and Hedge Funds

COVID-19 is having a profound impact on virtually every sector, and while most are experiencing substantial downturns in business, consumer spending in many areas remains strong, having shifted more toward essentials – products or services that individuals need on a day-to-day basis. This trend aligns perfectly with Topspin Consumer Partners’ investment strategy and its focus on fast-growing middle-market consumer businesses.

The sweet spot for Mamaroneck, NY-based Topspin is established lower middle-market consumer-focused companies with consistent revenue and earnings growth with future growth drivers, strong gross margins, innovative or unique ways to address an existing market need, and \$3-12 million in EBITDA. The team also looks for digitally-enabled, branded consumer “essentials” that are capturing share within established markets and have defensible business models, differentiated customer offerings, and clear drivers of growth.

“We like things that are going to be in demand irrespective of the market,” explains Ojas Vahia, Partner and member of the Topspin Investment Committee. “They don’t necessarily require a certain economic cycle to really drive growth.” Topspin then adds value with a hands-on approach in building its portfolio companies, working closely with the companies to bolster the management team, upgrade financial processes, technology and operational infrastructure, drive product development and marketing, expand distribution channels, and pursue selected add-on acquisitions.

The firm currently has nine active portfolio companies. Among them are Japonisque, a developer and marketer of branded and partner-labeled beauty implements and makeup brushes; Remedy Health Media, a growing digital media business that produces proprietary healthcare content; Bear Down Brands, a developer and marketer of branded, elegantly-designed home, health and wellness products; and reCommerce, a technology-enabled selling partner of consumer brands through Amazon. During the height of COVID, Topspin successfully made three add-on acquisitions, all of which were highly accretive.

Topspin’s origins date back to 2000 when the firm launched as an industry-agnostic venture-oriented fund. When Leigh Randall, an industry veteran with years of operational and private equity transactional experience, joined the team in 2004, he expressed an interest in a private equity consumer-oriented strategy. Considering his extensive experience in consumer products and services, and deep knowledge and expertise in the health, wellness, beauty and personal care sectors through both a past senior operating role and prior investments, it was believed that a viable strategy could be formed around this concept.

By 2013, Topspin Consumer Partners had solidified itself as a consumer-focused private equity firm and Randall put together a team that complemented his expertise. “As a fund, we have the best network, know-how, and experience there, and we’re generating the best returns in this realm because of that,” says Vahia. “Since we decided to focus solely on consumer, we’ve further deepened our experience and network significantly, and made it a point to build out our digital capabilities like e-commerce and digital media marketing so we can add value to our companies in these fast-growing areas.”

That re-focus to a consumer-oriented strategy paid off with several lucrative exits. One home run deal came by way of JD Beauty the company behind the popular Wet Brush branded line of hairbrushes and accessories, Bio Ionic hair styling tools and Ouidad liquid hair products lines.

Topspin had acquired the company some three years earlier. “At the time, it was more or less a single product company serving the professional channel,” Vahia recalls. “Our strategy was to take that product and expand it in the consumer channel and ultimately to take it from where it was to a producer of a full range of brushes, and in doing so, grab market share from legacy brands.” Topspin spent the next three years launching several new product lines, expanding the company’s distribution capabilities, completing add-on acquisitions, and growing JD Beauty’s sales, marketing and product development teams.

By 2019, the firm was looking to exit this investment and struck a deal with Goody Products, Inc., one of the largest players in the hair accessories and styling tools industry and a portfolio company of ACON Investments, a middle-market private equity firm. The sale resulted in a 7.8x return on Topspin’s investment.

Despite unpredictable market conditions resulting from COVID-19, Topspin is looking to kick its strategy into high gear – continuing to focus on strengthening its e-commerce strategy across the portfolio. “We’re also focused on disruptive and innovative upstart brands and those that are taking market share,” says Vahia. “That strategy has been holding up well throughout this downturn.”

Illustrating this focus, the firm recently led an investment in reCommerce, a technology-enabled selling partner of brands through Amazon.com. This company offers consumer brands an end-to-end solution, allowing their products to stand out on the platform, capitalize on growing demand and otherwise better navigate the world’s largest online marketplace. “They partner with health and wellness, beauty, and personal care brands and help them grow on Amazon,” Vahia explains. “Health and wellness products are a big focus with consumers right now, as is how to distribute the product and get it to them, and that is what intrigues us.”

The Topspin team believes that though consumer spending will be impacted by the pandemic, consumer essentials that are stealing market share will be more insulated from that downside risk. “These are the things that you need, regardless,” Vahia explains. “I think it’s even more important to be in areas that are going to be essential, which is what we’ve always focused on.”