

The Investor

LAKESHORE CAPITAL

Founded in 2009, Lakeshore Capital is a private equity firm focused on Thailand and the Greater Mekong region. As of October 2021, the firm employs 11 investment professionals and has raised two funds targeting significant minority and majority stakes in mid-market businesses. Lakeshore's sectors of interest include food, retail, consumer products, light manufacturing, healthcare, education, logistics, technology and business services.

FUND NAME

Lakeshore Capital I LP

FUND SIZE

USD60.7 million

TOTAL AUM

USD216 million

The Company



Headquartered in Bangkok, Rojukiss International markets and sells Korean personal care products in Thailand. The company owns three skincare brands (Rojukiss, PhDerma and Best Korea), one cosmetic brand (Sis2Sis) and two food supplement brands (Qi and Wonder Herb). Rojukiss, which is listed on the Stock Exchange of Thailand, sells its products nationwide in Thailand and has a market presence in Indonesia, Vietnam, Philippines, Cambodia and Laos.

WEBSITE

www.rojukissinternational.com

INDUSTRY/SECTOR

Skincare and Cosmetics

LOCATION

Southeast Asia

DATE OF INVESTMENT

JUNE 2017

AMOUNT

USD16 MILLION

INITIAL PARTICIPATION/STAKE

70%

DATE OF IPO

FEBRUARY 2021

IN 2007, Ms. Piyawadee Sonsingh founded Rojukiss, the first company to import and market Korean skincare and beauty products in Thailand. Ten years later, Rojukiss was firmly established as a high-quality and reputable Korean brand; however, Ms. Sonsingh needed a partner to take her skincare company to the next stage of development. In discussions with Bangkok-based private equity firm Lakeshore Capital, Ms. Sonsingh agreed to facilitate a management buy-in, which would allow her to pursue other ambitions.

Lakeshore, together with co-investors, acquired 70% of Rojukiss in June 2017. Ms. Sonsingh retained the remaining 30% and remained on the company's board. With Lakeshore's support, Rojukiss grew into a diversified platform with three skincare, one cosmetic and two food supplement brands, catering to both lower-income and premium customers. In February 2021, Rojukiss International was listed on the Stock Exchange of Thailand with a market capitalization of nearly USD200 million.



The Deal

WITHIN THE FIRST FOUR MONTHS of taking control of Rojukiss, Lakeshore recruited a new senior management team. Mrs. Worrawan Chaikamnerd, who had previously served in senior roles at L'Oreal Professional Thailand, came in as CEO. Mrs. Worrawan and the Lakeshore team then enlisted Thanayus Leeraphan, who was Senior Global Marketing Director at Unilever Singapore, to be the company's Chief Marketing Officer. The new Chief Financial Officer, Chief Commercial Officer and Chief Operating Officer were also all industry veterans with experience at leading consumer product multinationals.

With a new team in place, Lakeshore's primary goal was to increase profits across Rojukiss's existing brands while launching new product lines. The company expanded from four brands at the time of Lakeshore's entry to six and began selling food supplements and hair care products. Lakeshore also helped Rojukiss increase exports to Indonesia, Vietnam, Philippines, Cambodia and Laos, which collectively accounted for 16% of all sales as of October 2021. Rojukiss's total revenues grew from THB593 million (approximately USD17 million) in 2017 to THB965 million in 2020 (approximately USD32 million), representing a compound annual growth rate of 18%. Over the same time period, the company's EBITDA margins improved from 15% to 25%.

Transitioning from a founder-run company to an institutionalized business was a challenge in the beginning due to differences in expectations between the new senior leadership and existing employees. However, Lakeshore worked to align all parties, initiating quarterly town hall meetings to communicate Rojukiss's vision and goals. The new management team implemented policies based on its multinational experience and led several internal trainings to upgrade skills across the organization. For example, they created a new sales and operations planning process, reconfigured the marketing strategy and enforced stringent quality standards, such as ensuring none of its product claims are misleading.

The management team also revamped the company's new product development process to ensure that data-driven market research and a clear grasp of customer demands supported any new product launches. As one example, the Rojukiss research team discovered that consumers typically don't use a full tube of lipstick, so it created lipstick in a cosmetic sachet format. This innovation – which has design patents in Thailand, China, Japan, Indonesia, the Philippines, Vietnam and the United States – incorporates a small pouch with a built-in applicator, thus making it more affordable and less wasteful. Rojukiss is also developing a face-analysis application to recommend the best products for a customer's skin.

Rojukiss's board has played an active role in the company's growth. Lakeshore appointed six independent members who have all provided strategic and operational input to the management

team. For example, Dr. Lackana Leelayouthayotin, who was previously the CEO of Cerebos Asia Pacific, brought deep branding and marketing expertise. Ms. Pratana Mongkolkul, a former CFO at Minor International Plc., has guided the company's financial operations. Other board members have extensive retail and distribution experience, as well as insights into target export markets such as Indonesia. At the time of Rojukiss's IPO, Dr. Leelayouthayotin became the board's Chairwoman.



Outlook

LISTING ON THE STOCK EXCHANGE OF THAILAND was a milestone that the Lakeshore team and Ms. Sonsingh had hoped to achieve from the beginning of the partnership. Although Lakeshore divested some of its shares in the IPO process, going public was a natural next step on Rojukiss's path to becoming a regional leader, rather than an exit strategy. The IPO was highly oversubscribed, with the proceeds allocated for brand development, international expansion and research and development.

Rojukiss has been negatively impacted by the COVID-19 pandemic. While sales have dropped 18% for the year, as of October 2021 as people stayed at home, Lakeshore has been working closely with the management team to rationalize marketing expenditures and pursue new sales avenues. Specifically, in March 2021, GMM Grammy, the largest media-focused entertainment conglomerate in Thailand, entered into a joint venture with Rojukiss. GMM Grammy later acquired 10% of the company for nearly THB500 million (approximately USD15 million), which reduced Lakeshore's current stake to 29%. The partnership with GMM Grammy will allow Rojukiss to sell its products directly to consumers through television home shopping networks, creating a new distribution channel to drive future growth.

Incentivizing a local workforce to compete globally

A CORE COMPONENT of Lakeshore's investment thesis was its belief that a local Thai company could innovate faster and meet local consumer demand better than larger multinationals that must cater to global customers. Building the right team – and properly motivating them through financial incentives – was critical to success. Many of the new senior management invested some of their own capital into Rojukiss, while Lakeshore granted additional stock options. At the time of Lakeshore's investment, Rojukiss was still relatively small, and the private equity firm wanted the new leadership to feel empowered in its ability to build a market leader.

The Rojukiss management team also restructured salary packages for jobs below the C-suite in line with industry standards. These efforts resulted in an average wage increase of 30% to 50% for existing employees between 2017 and 2020. Lakeshore helped the company transition its workforce, reducing the use of low-paid, part-time storefront beauty consultants and focusing instead on building high quality, full-time positions. As of June 2021, the company has 126 employees, 76% of which are female.