



US MARKETS OPEN In the news

▼ Dow Jones 0% ▲ Nasdaq -0.08% ▼ S&P 500 0% ▲ META -1.75% ▼ TSLA +0.49% ▼

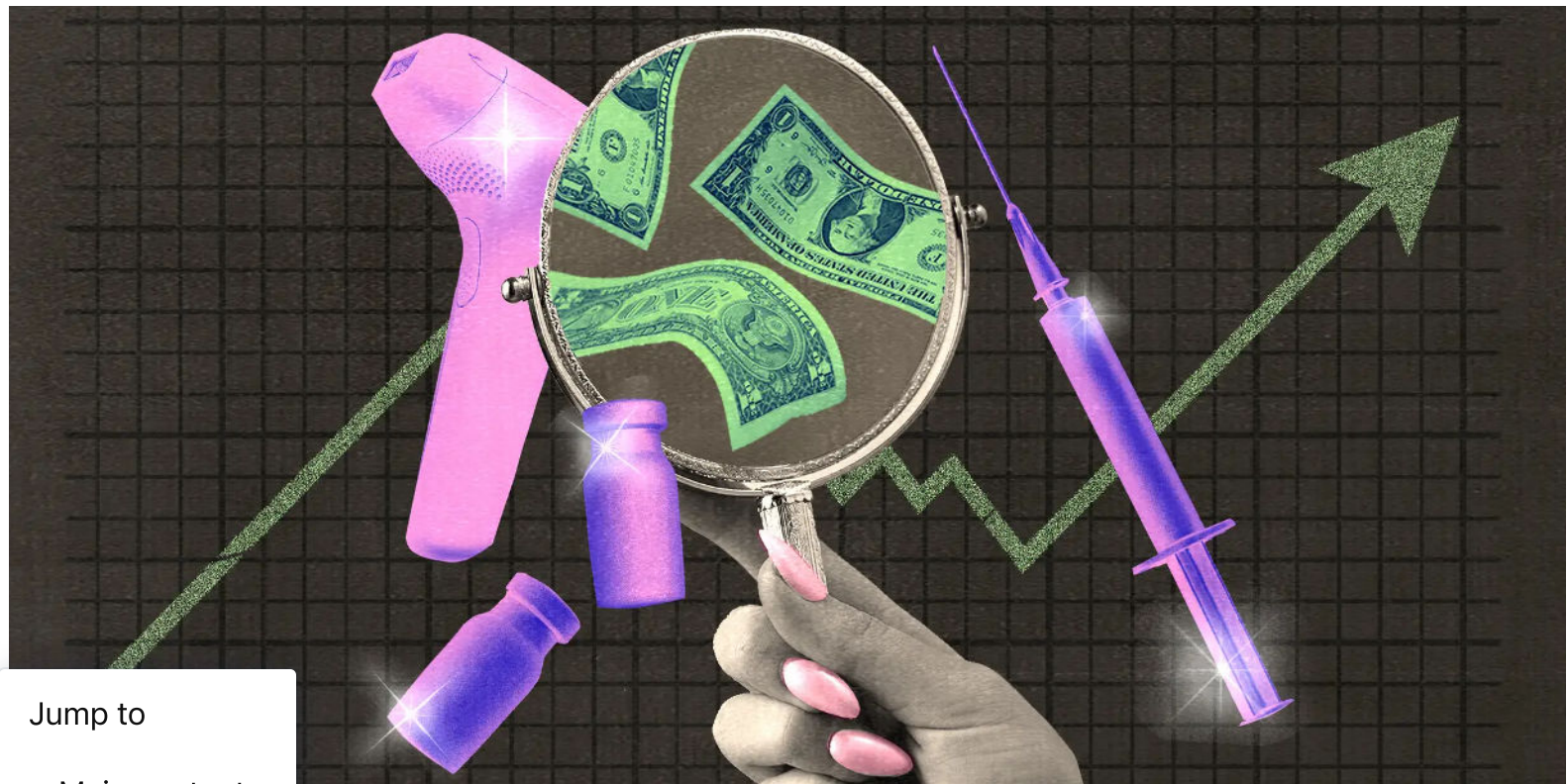


HOME > FINANCE

How lip fillers and laser hair removal is plumping up private equity

🔥 10 0

Rebecca Ungarino Jul 31, 2023, 2:24 PM EDT



- Jump to
- Main content
- Search
- Account

of the web of regulation," one investor said of pushing into the rapidly expanding world of treatments like laser hair removal. Jenny Chang-Rodriguez/Insider

Private capital investors are pushing into the med spa industry, prompting growth and scrutiny.



Sixth Street, Blackstone, and Ares have backed providers of treatments like laser hair removal.

A big med spa trade group is monitoring investments' impact on the rapidly growing industry.

Insider recommends waking up with  [Morning Brew](#), a daily newsletter.

Email address
rungarino@insider.com

SIGN UP

By clicking "Sign Up," you also agree to marketing emails from both Insider and Morning Brew; and you accept Insider's [Terms](#) and [Privacy Policy](#). [Click here](#) for Morning Brew's privacy policy.



SPONSORED CONTENT by Schneider Electric

Today's vision for the homes of tomorrow

Laser hair removal, body contouring, filler injections — it's not just TikTok and Instagram where people are talking about their latest treatments. It's also a hot topic in private equity boardrooms.

Blackstone, Sixth Street, Levine Leichtman Capital Partners, Ares, and other private capital investors are making bets on the vanity economy. This sprawling ecosystem of medical spas and more niche aesthetic services providers, like laser hair removal specialists, has bounced back after a downturn earlier in the

Jump to

Main content

Search

Account

epidemic as people resume in-person treatments.

Private equity investors, flush with cash and seeking out consumer-ging deals, are looking for new opportunities as analysts in and out of the industry anticipate more demand from women and, increasingly, men for Botox, hair removal, and skin tightening.



These have all grown more normalized with social media users and celebrities publicizing their treatments. The space is "growing like a weed," one investor told Insider.

"People are generally trying to look younger for longer, look better, and there's innovation in the category through services that are allowing people to do that," Kayvan Heravi, a managing director at Sixth Street whose team this year led an investment in Milan Laser Hair Removal, said in an interview. Among the largest players in the space, Milan has quickly expanded since it sold a majority stake to private equity firm Leonard Green & Partners in 2019, when it ended the year with 70 clinics. It now has some 300 clinics in 31 states.

This year a major med spa industry group pegged an influx of private equity investment into the aesthetics sector as a significant theme it's monitoring. US-based revenue and consumer spending in the industry is expected to grow, respectively, from \$9 billion and \$27 billion this year to \$14 billion and \$40 billion in 2027, Boston Consulting Group said in a report this spring.

Industry heavyweights have moved in. Blackstone announced this month that it invested in large French med spa Lazeo; KKR made a minority investment in injectables provider SkinSpirit last fall; Ares Management's private equity business invested in LaserAway in 2021; and Levine Leichtman made a majority investment in California-based med spa SEV this year.

The space is another consumer-focused vertical, like dentistry and dermatology, that private equity firms, big and small, are

Jump to

Main content

Search

Account

essively pushing into. They are capitalizing on mass market appeal, steady revenue streams from customers regularly returning for treatments, opportunities to consolidate businesses and boost profits, and the ever-expanding appeal of "wellness" as a selling point. That has set the stage for a push and pull where some are skeptical of a rapidly growing industry.



Christian Karavolas, who owns laser hair removal specialist Romeo & Juliette in New York City, said he's turned away offers by private equity investors. Karavolas and others in his position worry the level of service, safety, and handling of sensitive bodily treatments could suffer if replicated on a large scale and without proper safeguards.

"This is not like opening a Starbucks or a Walmart," he told Insider. "This is highly personal."

'We are treating individuals, not a herd'

Big investors' interest in the space is not new. In 2006, H.I.G. Capital and ORIX Venture Finance invested in laser hair removal giant Ideal Image, which is now majority owned by private equity firm L Catterton and drew a significant minority stake from TPG in 2021. General Atlantic-backed European Wax Center went public two years ago.

Jump to

Main content

Search

Account

private investors' interest has significantly increased in the pandemic.

Alex Thiersch, an attorney and chief executive of the American Med Spa Association trade group, has been fielding a torrent of calls

from dealmakers looking for advice on the industry — on safety, brands, training, and everything in between. "It's been a crazy time," he told Insider.

Heavyweight investors see opportunity in the med spa industry. Getty Images

Still, the industry remains primarily a mom-and-pop space, with the vast majority of companies operating with one or a small handful of med spas. Many have welcomed the interest in buying up or investing in the industry. Thiersch said so far he has seen a positive impact from private equity dollars flowing in; most firms take safety seriously and double down efforts to stay compliant and train employees.

At the same time, deep-pocketed investors are drawing skepticism.

Karavolas, who runs Romeo & Juliette Laser Hair Removal on a particularly moneyed stretch of 57th Street in Manhattan that's close to Chanel, Dior, David Yurman, and Louis Vuitton, founded the business two decades ago. "We're treating individuals, not a company," Karavolas said.

Jump to
Main content
Search
Account



"The fear is that once you get investors involved who are focused on making money, is that going to make it more difficult to make sure people are following the rules, not putting profit over patients' safety?" Thiersch said.

A maze of regulations

Investors are aware of those concerns as they navigate a thicket of regulations that vary state by state. Med spas rely on state medical boards to advise on standards that practitioners doing laser hair removal, injectables, and other treatments must meet and who is eligible to deliver them, but they have no uniform federal oversight. Laser hair removal, for instance, isn't considered a medical procedure in every state.

In June, Levine Leichtman bought a majority investment in 13-year-old Burbank, California-based med spa SEV, led by founder and chief executive Sevana Petrosian and known to treat celebrities the Kardashians and actor Eva Longoria Bastón. SEV is planning to open more locations and make its injectable services widely available, said Andrew Schwartz, a partner at Levine Leichtman.

Jump to

Main content

Search

Account



"It's making sure that even if you're operating in a state that doesn't have the highest level of regulation, you are really buttoned up in how you train people and how people deliver services," Schwartz said in an interview. "No one wants anyone to get hurt. But you could also really damage a brand, just like in any brand."

Investors are now betting the med spa industry will generally remain resilient and continue to draw customers through a rocky economy when people pull back on spending.

Part of Sixth Street investors' interest in Milan was the belief that laser hair removal has proven its value as a service over time, Heravi said. Consumers have calculated that the cost of getting rid of unwanted hair for good — in your armpits, on your neck, along your bikini line — can be more effective than shaving or using temporary creams.

The industry will be watching how the infusion of capital influences med spa treatments overall.

"One of the stumbling blocks for some of the private equity groups is finding that these state regulations are an impediment to growing as quickly as they thought they could," Thiersch of the American Med Spa Association said. "It might be more difficult than they imagined."

Read next

Jump to

Main content

Search

Account

Was this article valuable for you?

