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## UPDATE: Avon To Buy Jewelry Seller Silpada For At Least \$650M

(Updates throughout with additional details, information from the company)

By Nathan Becker and Anjali Cordeiro Of DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--Beauty products direct-seller Avon Products Inc. (AVP) said it will buy closely held sterling-silver jewelry seller Silpada Designs Inc. for at least \$650 million.

An additional payment will be made to current Silpada shareholders in early 2015 if certain earnings-growth targets are hit. There is no contractual minimum or maximum to this potential payment, but Avon estimated that it could range from \$50 million to \$100 million.

Avon--which has seen slower sales in North America--said it expects the purchase of Silpada, which has a party-selling model that contrasts with Avon's person-to-person selling model, to boost earnings by 3 cents to 5 cents a share next year. The acquisition is expected to close this quarter. Silpada will continue to operate as a standalone business based in its Kansas headquarters and be led by its executive team, which will now report to Avon executives, Avon said.

Avon already sells jewelry but its current line has offerings--like necklaces--that are mostly priced under \$25 and are targeted at the mass market.

Silpada has annual revenue of about \$230 million and generates operating margins "significantly higher than Avon's," Avon said. The company offers about 450 sterling-silver jewelry products at higher prices than Avon's jewelry offerings.

BMO Capital Markets analyst Connie Maneaty said in a research note that she is "encouraged" the deal will add to earnings.

Silpada has operations in the U.S., Canada and the United Kingdom. An Avon spokeswoman said that longer term the company is open to "evaluating" the potential for its new brand to expand internationally. Avon has made other smaller deals in recent months. In March, it announced its acquisition of Liz Earle Beauty Co., a privately-held brand of skin-care products.

Avon shares were recently up 1.1% to \$28.58. Centerview Partners LLC acted as financial adviser and Sullivan & Cromwell LLP acted as legal adviser to Avon on the latest deal. Lazard Middle Market LLC acted as financial adviser and Lathrop & Gage LLP acted as legal adviser to Silpada.

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