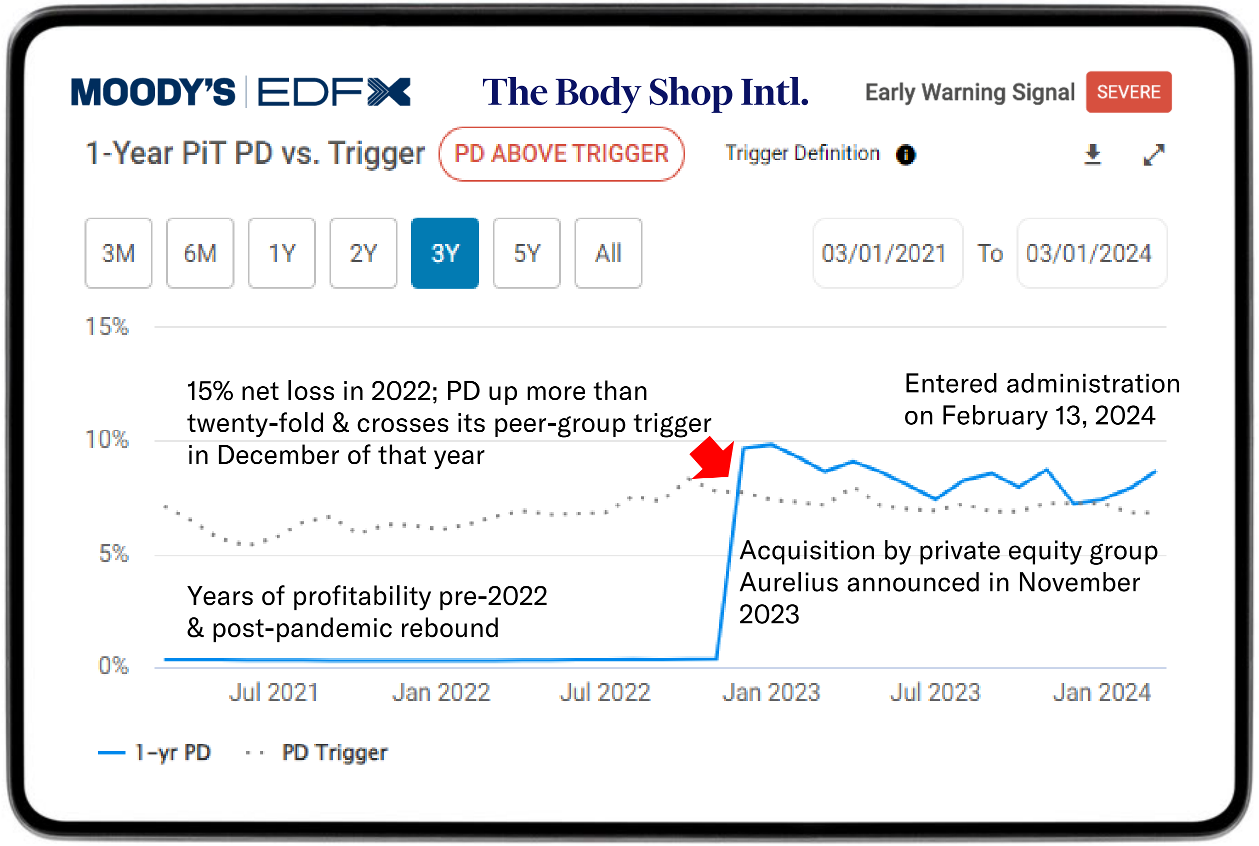
MOODY'S

EDF-X CASE STUDY: THE BODY SHOP INTERNATIONAL LTD.

Mounting competition in the sustainable beauty product market and rising input costs weighed on The Body Shop's performance, leading the firm into administration in early 2024



Analysis

Fading revenue growth tipped U.K. based The Body Shop into administration on February 13, 2024. The international beauty supply brand specializes in natural ingredient cosmetics and similar products but has struggled in an increasingly competitive retail space. Founded over four decades ago, the company changed hands three times since 2000, though its sale price fell from more than $1 billion in 2017 to just over $250 million by late 2023, when it was acquired by private equity firm Aurelius.

A challenging retail market weighed on The Body Shop's performance as competing ethically-sourced beauty brands ate into the firm's market share. Sales fell 37% when COVID-19 hit; yet despite the strong post-pandemic rebound, revenues trended lower in the subsequent years. At the same time, rising input costs pressured margins and its U.K. business experienced a net loss of nearly 15% in 2022. EDF-X flagged the firm as a severe credit risk in December of that year after its PD spiked close to 10%, a level higher than its peer-group based trigger.

The Body Shop's international operations have also suffered. Many Continental Europe locations have either been spun off or taken into administration, while U.S. based locations filed for bankruptcy on March 10, 2024. A significant downsizing is likely as the firm pays down debts, streamlines operations and keeps only profitable locations going.

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