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## Avon to Buy Jewelry Seller Silpada for \$650 Million

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(Updates share price in fifth paragraph.)

By Cotten Timberlake and Niveditha Ravi

July 12 (Bloomberg) -- Avon Products Inc., the world's largest door-to-door cosmetics seller, agreed to buy jewelry company Silpada Designs Inc. for at least \$650 million to broaden its product line.

Avon will make a potential additional payment in early 2015 to current Silpada shareholders if earnings growth targets are achieved, New York-based Avon said today in a statement. The purchase may add 3 cents to 5 cents a share in 2011 profit.

Chief Executive Officer Andrea Jung has pursued acquisitions to expand beyond beauty products, which accounted for more than 70 percent of Avon's \$10 billion in sales last year. Closely held Silpada, with operations in the U.S., Canada and the U.K., gives Avon control of the largest and fastest-growing direct seller of sterling silver jewelry.

Silpada has annual sales of about \$230 million, and most of its jewelry pieces sell for more than Avon's current products, according to the statement. In February, Avon Chief Financial Officer Chuck Cramb called jewelry a "\$100 billion mass market opportunity."

Avon rose 15 cents to \$28.42 at 4 p.m. in New York Stock Exchange composite trading. The shares have dropped 9.8 percent this year.

Avon plans to fund the purchase with cash on hand and through commercial paper, according to spokeswoman Jennifer Vargas. The company had \$1.12 billion in cash and cash equivalents as of March 31.

Centerview Partners LLC provided financial advice to Avon on the transaction, while Lazard Middle Market LLC offered counsel to Silpada. Sullivan & Cromwell LLP and Lathrop & Gage LLP served as legal advisers.

### Party Sales

Silpada, based in Lenexa, Kansas, will keep operating as a standalone business with its 32,000 independent sales representatives. The company's representatives invite customers to at-home parties where they demonstrate the product.

Avon's fashion unit products, which include jewelry, watches and footwear, accounted for about 17 percent of total sales in 2009. The company sells makeup and other items to women in more than 100 countries through about 6.2 million independent sales representatives.

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