William Hood

GLOBAL CONSUMER & LIVING WELL NEWSLETTER

JUNE 2022

TRENDS | TRANSACTIONS | TRANSCRIPTS | TRAVEL

FOR CLIENTS & FRIENDS OF THE FIRM

William Hood & Company is a **differentiated** investment banking firm covering the **global Consumer & Living Well™ industries** with deep sector expertise and a specialization in **health & wellness and other emerging consumer trends:**

LONG-TERM RELATIONSHIP-DRIVEN PARTNERSHIPS WITH CLIENTS

THOUGHT LEADERSHIP AND DEEP SECTOR EXPERTISE

BESPOKE APPROACH TO GROWTH & LIQUIDITY WITH SOUND BUSINESS ADVICE

HANDS ON, SENIOR LEVEL EXECUTION LEVERAGING BOTH WALL STREET AND INDUSTRY EXPERIENCE

A TRULY GLOBAL PERSPECTIVE AND NETWORK

Certain Partnership in an Uncertain Environment

As we enter a new era of uncertainty with geopolitical concerns, high inflation, rising interest rates and turbulent markets, William Hood & Company is committed to our strategy of building long-term relationships and a true partnership with industry. Our winning combination of investment banking and senior level operating experience enables us to support you with industry knowledge, sound business advice and a powerful network. We are also committed to broadening our support into new adjacent categories, and our partnership with industry now covers four core practices, all of which are effectively supporting our relationships and closing transactions.

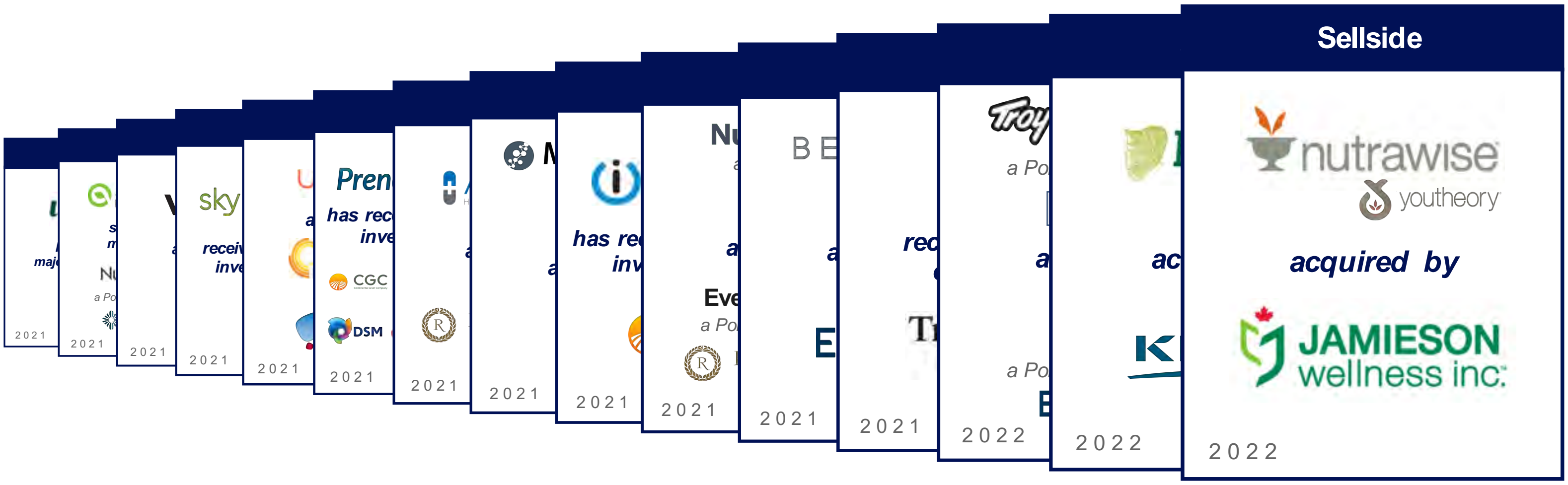
Since January 2021, we have completed 15 transactions across our branded nutrition, functional ingredients, beauty, and outdoor and active lifestyle practices with more to come through the balance of 2022.

Our branded nutrition practice led by Jill Staib and William Hood announced the sale of Nutrawise Health & Beauty Corporation (makers of Youtheory) to Jamieson Wellness Inc. We've also closed on the sale of Metagenics, the global VMS market leader in the professional channel, by Amway to Gryphon; the purchase of Uqora by Pharmavite; a growth equity investment by True Beauty Ventures into beauty-from-within brand Moon Juice; and the sale of Voost to Procter & Gamble, among others.

Our ingredients and functional nutrition practice led by Greg Horn led the sale of functional ingredients leader Nutrition21 to Everwell, a RoundTable Healthcare Partners portfolio company; a growth equity investment by a consortium of strategic investors into prebiotics ingredient producer Prenexus Health: and the sale of effective botanicals provider Natreon to global ingredients giant Kerry Group.

Our beauty practice led by Luc-Henry Rousselle completed the sale of fashionable goat milk-based Beekman 1802 to Eurazeo and the sale of natural brand Sky Organics to Nexus.

And finally, our youngest practice, our outdoor and active lifestyle practice led by Kevin McGee, completed its first transaction with the sale of mountain bike and motocross enthusiast brand Troy Lee Designs to Marseilles-based 2 Ride Holding, a portfolio company of Eurazeo.



We congratulate all of our clients on these successful transactions. The past few years have been kind to all types of participants in the middle market including the entrepreneurs and operators, the capital providers and the service providers. However, cycles are the nature of life, and as we move into a more challenging economic environment, we remain humble and remind ourselves daily of our mission to be true partners to our industry and to our clients. We lead by building relationships, by adding value to our clients and by making long term connections. That means we will be here for you whether or not a transaction is on the immediate horizon, even when the skies turn cloudy.

William Hood & Company In the News…

NBJ®
NUTRITION BUSINESS JOURNAL

To hear [William] Hood speak of it, this [supplement regulatory] element of risk is on the wane. The advance of large food acquirers is a clear stamp of approval that effectively de-risks the category and puts supplements in "tier A" for mainstream CPGs. "The level of credibility has increased dramatically," Hood says, "and supplements are now one of the defining battlegrounds for the consumer of tomorrow."

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Among the most important lessons [Greg] Horn says he's learned in decades in the supplement industry is that no technology comes to fruition in isolation. Probiotics, he explains, might have shown benefits in research labs, but it was technologies around formulation, format and packaging that allowed those bacteria to survive all the way to the shelf and into the gut that turned probiotics into a major category. Now charged with evaluating opportunities in the investment banking space, Horn says he tries to apply that mindset whenever he looks at something new. New technologies need an ecosystem of existing technologies to succeed. "It's a confluence of things," Horn says.

TRENDS

The global Consumer & Living Well™ industries continue to benefit from strong consumer demand, as health and self-care remain top priorities. Desire for better, healthier ways of looking and feeling our best is higher than ever, and the market is serving up innovative products and brands that deliver.

Natural Products EXPO WEST®

Expo West 2022—Anaheim

Natural Products Expo West returned with a vengeance in 2022, the strongest indicator yet that in-person is back.

1	**Plant-Based Everything**	The new word for vegetarian is now being applied to everything from protein powders to pizza crusts.
2	**Mushroom Magic**	The fungi kingdom is rising in the natural products industry. "Medicinal" and "functional" mushrooms with known health benefits are being grown organically in the USA and promoted in drinks, powders and capsules. Mushrooms are moving now to where botanicals were 10 years ago, toward the front and center of natural products consumer awareness.
3	**Better Multivitamins**	The daily multi had a dose of innovation, with food-based delivery systems, certified organic food-sourced multis and liposomal delivery systems.
4	**Gummies Galore**	The gummy delivery form is now almost half of all vitamin sales in the United States. There are now sub-categories of gummies that eliminate added sugar, animal-source gelatin, and added oils or sugars.
5	**Microbiome Momentum**	Gut health remains a major theme in the natural channel. Starting with probiotics more than a decade ago, the gut microbiome space is evolving with an emerging expanded toolbox of ingredients such as prebiotics (feed the probiotics already in your gut) and post-biotics (the beneficial things that healthy gut microbiota produce) fueling accelerated product innovation.
6	**Collagen Continues**	Hydrolyzed collagen is now officially in everything, from cookies to coffee creamers. Acquisition of major collagen supplement brands like Vital Proteins and NeoCell by global powerhouses like Nestlé and Clorox (respectively) mean that larger scale professional marketing is growing distribution, product proliferation and consumer awareness of collagen and its skin-enhancing benefits.
7	**Hydration Is Happening**	Hydration mixes are hot at present, with several companies vying for the consumer's share-of-water. Liquid IV leads the way but there are many others, including Hydrant, Ultima and now Orgain. Hydration is now a platform for functional benefits like sleep, focus and energy, either in drink mixes or ready-to-drink functional beverages.
8	**Brain Benefits**	Nutrition for mental focus and mood improvement was a mini-theme at the show. New products on display ranged from nootropics to mushrooms for mood-boosting and focus to products for kids cognitive development.
9	**Stress and Sleep**	One of the biggest trends coming out of the pandemic is stress and mental health, including sleep. CBD is very prominent in the health food channel and was a big presence at the show, despite its unclear regulatory status.
10	**Packaging Struggles Toward Sustainability**	There were several interesting takes on more sustainable packaging (recycled, recyclable, ocean-reclaimed, etc.) on display, an indicator of the natural products industry's good intentions toward sustainability.

Vitafoods Europe 2022—Geneva

Vitafoods Europe is like SupplySide West and Expo West shrunken by two-thirds and rolled into one, but in a really nice city in Europe, so with more smoking, better restaurants and many attendees who will get the rest of the summer off after the show.

1	**Ingredient CBD**	Based on a significantly reduced presence, CBD seems to have receded to become just another ingredient for natural products.
2	**Probiotics Proliferate**	Probiotics have both proliferated and specialized. The show floor featured a plethora of probiotics with focused benefits from brain health to heart health to stress and sleep. Heat-killed probiotics, postbiotics, fermentates and prebiotics abounded, putting on display the expanding ingredient toolbox for gut health and more.
3	**Immunity, Of Course**	Going into year three of a global pandemic, there were exactly as many immune health ingredients as you would expect.
4	**CMOs of All Shapes, Sizes and Specialties**	In stark contrast to prior Vitafoods, there were contract manufacturers galore, offering to make everything from pills and powders to gummies, lozenges and liquids. Many offered pre-formulated products for turnkey private labeling.
5	**Brain Gain**	Brain health was writ large across the show, with essential fatty acids, nootropics, memory boosters and more on display as functional ingredients for this growing category. In keeping with the times, mood, stress and sleep are now being characterized and marketed under the brain health / mental health banner.
6	**Beauty from Within**	Collagen in all forms and from all sources was on display in full force, along with a large number of non-animal ingredient combinations to boost collagen and a wide array of other beauty-from-within ingredients promising to protect the skin, to detox from pollution exposure, to reduce wrinkles and to increase youthful appearance.
7	**Special Delivery**	Enhanced delivery systems that enable superior bioavailability for active ingredients or more consumer-friendly forms were an intriguing presence at the show, creating hope that someday things like liposomes, micelles and microencapsulation could become mainstream and recognizable by consumers. Everyone is looking for the “next gummies” as a delivery form, and there were liquid sachets, pastilles, tinctures and even functional jams vying for their share of the non-pill delivery forms.
8	**Just Say K**	Vitamin K2 had a remarkably outsized presence at the show, with a half-dozen or so suppliers of this important ingredient competing for attention with booths, floor stickers, billboards and even stair decorations. Krill (another K-word) also had a very visible presence, with lots of education about fishing practices and extensive health benefits of this superior source of omega-3 essential fatty acids.
9	**Plant Power**	Plant-based seems like the new normal, and claims were everywhere at the show on ingredients ranging from botanical extracts to proteins to personal care products.
10	**Botanicals Boom**	Europeans love their botanicals, and whole herbs, extract and combinations were a strong presence, as in past years.

Please reach out if you would like a more in-depth discussion of trends and observations from either of these shows.

Spotlight on Women's Health

By Jill Staib

At William Hood & Company we like to think about health and wellness holistically—what you put in your body, what you put on your body and what you do with your body. We are consistently reviewing data, connecting with retailers and listening to company founders and CEOs to identify real, sustainable trends that fit squarely within our approach to holistic health and wellness.

No category fits better into this thesis than Women's Health. Women's health has always been at the forefront of trends to watch in the wellness category and commands an incredible amount of interest from the large global strategic companies, retailers, and capital providers. "Women's Health" as category is incredibly broad—in the supplement space it emerged from brands that focused on calcium and magnesium for women's bone health in the 1990's to sub-categories such as Beauty from Within in the 2010's. As each subsegment matures and grows, new emerging categories take the spotlight.

Starting about 24 months ago, it became increasingly evident that the new hot topic is sexual health. We started receiving regular calls from founders who were launching brands and tracking significant interest from VCs in women's sexual wellness. Historically a male-driven category, it was clear the tide was about to shift to create space for female-focused and female-led brands to steal share from historic, dated, legacy players and to create brand new opportunites for unserved needs. The space was ripe for disruption as a big established category completely out of tune with what women actually wanted.

Fast forward to today and the Sexual Wellness category overall is experiencing significant growth globally and is on its way to becoming a $45B category in the US alone by 2025. In fact, global sales are expected to reach $125B with a CAGR of 12.4%. (Source: Global Sexual Wellness Market Analysis and Forecast)

As this global phenomenon continues, emerging brands are taking the opportunity to reduce the stigma associated with the category and to normalize the conversation that sexual

health is a critical component of women's health. Social media and digital marketing are currently playing a key role in shaping the conversation while retailers are racing to re-brand their dated "family planning" aisle to "sexual wellness" and devoting more and more space to new, innovative brands. The re-vamp of the category is successfully expanding beyond its recent direct-to-consumer roots and into the aisles of Sephora, Nordstrom, Target and Walmart.

Funding is critical to these brands as they need the capital to build awareness and produce product. Investment for sexual wellness consumer brands has steadily grown across the venture capital and private equity ecosystems, with the number of investments rising 38% YoY in 2021. Venture capitalists call the expanding women's health space where it meets technology "Femtech," a category that includes software, diagnostics, products and services specifically for women (Source: S&P Capital IQ). Femtech funding in categories like fertility has exploded in recent years as macro societal changes such as having children later and an ever increasing dialogue about the fertility challenges many face come into the mainstream conversation.

Global Fertility Tech VC Deal Activity

Source: Pitchbook

> ***From sexual satisfaction to fertility to menopause—innovation will continue to drive growth across the spectrum of women's health. No one knows who will be the ultimate brand winners, but one thing is for sure—consumers are the real winners with more available options and real, authentic dialogue about topics that were once taboo.***

If you would like to learn more about the topic or chat about brands we are watching, please reach out to set up a call!

TRANSACTIONS

The global Consumer & Living Well™ industries are an active space, as consumers demand better solutions for looking and feeling their best. Innovation is being driven by smaller companies, and large companies are happy to buy & scale promising companies as part of their growth strategies.

Global Consumer & Living Well™ Transactions of Note October 2021–May 2022

- Gryphon Investors acquired Metagenics, Inc., a leading global practitioner-recommended nutritional supplement company, from Alticor Inc.
- Revolution Beauty acquired Medichem Manufacturing, a supplier of hair care and skin care products, for $31.7 million to enhance its margins and gain control of its supply chain and productivity.
- L'Occitane International acquired Sol de Janeiro, a fast-growing, award-winning lifestyle skincare brand embracing the authentic Brazilian philosophy of celebration and joy.
- Waldencast Acquisition Corp. acquired skin care brands Milk Makeup and Obagi Medical to form a multibrand beauty and wellness platform worth $1.2 billion.
- Edgewell Personal Care Company acquired Billie Inc., a leading digitally native consumer brand that manufactures and retails shaving razors for women, for ~$310 million.
- Galderma acquired ALASTIN, a professional skincare brand.
- Chantecaille Beaute Inc, a leading prestige beauty company, was acquired by Beiersdorf.
- Snoooze USA, a company that produces natural sleep drinks, was acquired by a large privately held US candy company, Galerie USA.
- Nestlé acquired majority stake in Orgain, a leader in plant-based nutrition.
- Orkla Health AS acquired Healthspan Group Limited, a leading supplier of dietary supplements in the British market.
- Actress and entrepreneur Drew Barrymore has become an investor in Grove Collaborative and will serve as its first global brand and sustainability advocate.
- Infant nutrition start-up Once Upon a Farm has secured $52 million in a Series D funding round, led by investor Cavu Venture Partners.
- Bobbie, the first Organic, European-style infant formula that is manufactured in the US, announced the closing of $50M in new financing, including its Series B funding led by Park West .
- Native Pet, a pet supplement and nutrition company, raised $6 million in a Series A round led by CAVU Venture Partners and joined by Mars' Companion Fund and Selva Ventures.
- Dallas-based private equity firm Gauge Capital acquired BondiBoost, an Australian professional hair care brand.
- LesserEvil expanded its product offering into bars with the acquisition of R.E.D.D. Bar, a plant-based protein bar company.
- Helen of Troy has acquired Curlsmith, a product line for textured hair, for $150 million.
- Candymaker Ferrero struck a deal to acquire Fulfil Nutrition, an Ireland-based protein-bar maker.

- Gridiron Capital-backed GSM Outdoors, an outdoor enthusiast platform with industry leading hunting, fishing, sport shooting and outdoor accessories, has acquired Bill Lewis Outdoors, the manufacturer of the iconic Rat-L-Trap.
- Tate & Lyle purchased Nutriati, an ingredients company developing and producing chickpea protein and flour.
- Bausch Health Companies Inc. (NYSE:BHC) spun-off its eye health business; Bausch + Lomb Corporation IPOed in May.

Highlight: Recent William Hood & Company Transactions

Sellside	Sellside	Sellside	Sellside
nutrawise youtheory *acquired by* JAMIESON wellness inc. 2022	Natreon *acquired by* KERRY 2022	Troy Lee Designs *a Portfolio Company of* SBJ Capital *acquired by* 2R *a Portfolio Company of* EURAZEO 2022	Moon Juice *received growth equity from* True Beauty Ventures 2021

Sellside	Sellside	Sellside	Sellside
ACUMEN HEALTH HOLDINGS *acquired by* ROUNDTABLE HEALTHCARE PARTNERS 2021	ADAPTIVE HEALTH *strategically merged with* Nutrisystem *a Portfolio Company of* KAINOS KAINOS CAPITAL, LLC 2021	Nutrition21 *a subsidiary of* JDS THERAPEUTICS *acquired by* Everwell Health *a Portfolio Company of* ROUNDTABLE HEALTHCARE PARTNERS 2021	BEEKMAN 1802 *acquired by* EURAZEO 2021

- RoundTable Healthcare Partners acquired Acumen Health Holdings, a professionally recommended, consumer-preferred dietary supplements company focused on eye health and companion animals.
- Premium supplements brand Moon Juice raised a Series C round led by True Beauty Ventures.
- Everwell Health Holdings, an ingredient platform backed by Chicago-based private equity firm RoundTable Healthcare Partners, acquired Nutrition21, a science-based active nutrition ingredient company.
- Eurazeo, a leading global investment group, acquired a majority stake in Beekman 1802, a high-growth, clean premium skin and body brand that harnesses the benefits of goat milk.
- 2Ride Holdings, a portfolio company of Eurazeo, acquired California-based Troy Lee Designs, a bike and moto brand known for its iconic helmet designs.
- Kerry closed its acquisition of Natreon, a US-based producer of ayurvedic botanical ingredients.
- Jamieson Wellness Inc. acquired Nutrawise Health & Beauty Corporation, a leading innovator, manufacturer and marketer of premium supplements under the Youtheory brand.

TRANSCRIPTS

One of the best parts of our work is that we get to have such interesting conversations every single day. Hearing from business and thought leaders across the entire market space informs our point of view. Here we have a chance to share some of the best dialogues, along with new opinions and positions shaped by them.

Being ProActive: An Interview with Kerry's John Quilter

Greg Horn caught up with Kerry's John Quilter one sunny Monday to catch up on the company's ProActive Health strategy and to get his perspective on how the recent acquisition of Natreon fits into the big picture at Kerry.

Greg: Kerry has made some bold moves in building a leading portfolio. Tell us about Kerry's ProActive Health strategy.

John: Kerry is the global leader in sustainable nutrition, with our purpose to "Inspire food and nourish life." That is not a tagline that came from an outside agency—it was developed organically from interviews with 400 employees and leaders across Kerry worldwide, and it really captures the essence of our company. Kerry has four key growth platforms that inform where we focus our efforts for future growth and innovation:

1. Health and Bio-Pharma
2. Taste
3. Plant-based foods
4. Food waste reduction

The space I am responsible for is ProActive Health, which is an anchor within the Health and Bio-Pharma growth platform. Our ProActive Health portfolio exemplifies Kerry's commitment to providing more sustainable nutrition for billions of consumers with solutions designed to be healthy, nutritious, and great tasting. Kerry is the strongest company internationally to bring functionality into nutrition. We have world class expertise and enormous infrastructure that enables us to take ingredients from the traditional dietary supplement space into mainstream food and beverage forms through a) broad application capability and b) our global sales function that can support our customers to scale rapidly.

The portfolio includes an extensive range of science-backed ingredient brands that can help manufacturers meet the proactive health needs of global consumers. As you will well remember from our work together at the time, Greg, our ProActive Health strategy started back in 2015 with the acquisition of Wellmune®. Since then, we have been focused on both expanding the clinical research behind our ingredients and on expanding the consumer need states we can serve by building the portfolio through further acquisition.

Wellmune started our journey, and it was a perfect fit for our intent to provide science-backed, clinically proven ingredients for our B2B customers serving indication areas that mattered to consumers, ranging from supplements to functional beverages even to infant nutrition, where Wellmune remains the most clinically demonstrated immune ingredient. Our strategy with all our ProActive Health ingredients is to take these science-backed brands and scale them rapidly into new markets and new applications, leveraging our product development capabilities and robust global infrastructure, and it has been a success. For example, we have launched more than 1,200 functional food and beverage products around the world that now contain our BC30™ probiotic, and we are the global leader in probiotics for ambient food and beverages. We want to provide the brains of effective functional foods and supplements: the "Intel Inside" of functional food ingredients.

Greg: Why focus on food technology?

John: Our *modus operandi* is taking technologies that have research closer to pharma and moving them into functional food. We are uniquely positioned to take food technologies, validate health benefits with science-backed clinical research and help our customers further grow their brands because of the credibility and health claims enabled and validated by our science. We see continued strong demand for supplements, foods and beverages with proven health benefits, and we believe that the food industry can move much faster than the pharma industry in delivering these benefits. This is evidenced through the rapid movement of CPG companies like Unilever and Nestlé moving at pace into supplements via their many acquisitions in recent years. We also see supplements moving toward functional food as consumers continue to prefer delivery forms that go beyond pills, and that's where our product application capabilities can bring product concepts to life for our customers.

Greg: How do you see the role of clinical evidence in functional nutrition?

John: Kerry is stepping on the gas to fund clinical research across the supplements and functional food and beverages spaces and pet care, which is a growing opportunity area for our customers. Clinical research that proves and substantiates health benefits is table stakes, but we are taking it further. For example, we acquired Biosearch Life, a leader in omega-3, probiotics and botanicals research in 2021. Today, Biosearch Life alone has 17 clinical studies underway across its portfolio and has a tremendous capability to execute high-quality clinical studies very efficiently.

We are advancing research on all our ingredients, continuing research on ingredients new to our portfolio and synergizing ingredients benefit across our portfolio. An example of the latter is a recent clinical trial which showed better protein absorption with a combination of our BC30 probiotic and our Ultranor™ range of milk proteins.

Greg: What role does M&A play in building out your portfolio?

John: M&A is hugely important to Kerry's growth strategy. We are proud to be celebrating our 50th year as a company, and during that time Kerry has made over 250 acquisitions. M&A onboarding and integration has been an important part of our DNA. Acquisitions help us leverage our big strengths in scaling market-ready ingredients into large markets. We have made substantial investments in capabilities to create beverages, snacks, fortified powders of all kinds and supplements in as many packaging forms as you can imagine. We have 2,000 commercial people on the team globally. The potential is enormous: We are creating the IBM of food ingredient solutions that power the best products in the world, and like leading technology organizations, we are actively engaging in M&A to execute our strategy.

Greg: What attracted you to Natreon as an acquisition?

A: Within ProActive Health, we have been working on expanding the consumer need states we can serve with clinically validated ingredients. We already had Wellmune® for immune health and BC30 for digestive health amongst others. Natreon represents a great opportunity for Kerry to be a leader in the cognitive health space, which includes sleep and stress, with the patented and clinically validated Sensoril® Ashwagandha as an anchor ingredient. Another attraction with Natreon was their strong market access into the dietary supplements channel, which will complement Kerry's strong capability in food and beverage.

Greg: What makes Kerry competitive when partnering with customers?

John: Kerry works with customers to help them grow their business. We start with consumer insights, conducting global consumer research surveys that yield proprietary insights that we share with customers. One area we survey is consumer awareness and desire for solutions to specific need states—and these priorities at the consumer level evolve every single year. We also ask consumers about the product formats and delivery systems that they prefer. We then take these insights on desired benefits and formats and create prototype concepts that demonstrate very tangibly what a product addressing a specific need state could look and taste like, along with documentation of the functional health benefit provided by our ingredients. So, we show them not just theoretical opportunities but actionable, turnkey solutions that deliver on our insights and are powered by our science-backed brands. If they want to go forward, we either make the product for them or refer them to our global network of co-manufacturers who can do so. Our value-added is taste and nutritional health benefits.

We also care deeply about thought leadership and provide insightful information to the industry at the Kerry Health and Nutrition Institute website. For example, the Kerry Health and Nutrition Institute website on Nutrition and Immunity (khni.kerry.com) highlights the role of various nutrients in supporting immune health, including beta glucans.

Greg: What areas of functional nutrition are you finding most interesting now?

John: Consumers are going to continue becoming more educated and able to get information about products much more quickly. Consumers want to be proactive about their health, and they are motivated to find out more and do their own research. On the delivery front, we are fascinated with the evolving preference for new delivery formats across various markets and the evolution towards gummies and whatever is next beyond them for delivering nutrition.

Need states like cognitive health, women's health, joint health, immune and digestive health are current areas of interest at Kerry. These are categories which have subsets that are of particular interest, such as stress and sleep within cognitive health and beauty from within in women's health. We see our customers requesting more consumer-preferred food forms for each of these need state categories. For example, Wellmune has been added to REBBL beverages and "beauty from within" drinks are in development for a customer that address consumers' desire for new delivery formats as well as their growing understanding of the connection between good health of specific inner body systems (like digestive health) and whole-body health & wellness.

Our recent acquisition of Biosearch Life has by far the cleanest tasting omega-3 oils in the industry, which make them well suited for incorporation into functional beverages and foods. In addition to omega-3 products which are known to support heart, eye and cognitive health, Biosearch Life also has advanced probiotic strains with specific clinical benefits like preventing the incidence of colic in children, improving milk flow in lactating women and reducing the severity of respiratory illness.

Perhaps the most interesting frontier in functional nutrition is the ever-expanding set of food forms that can be made functional. For example, we are coating peanuts with our BC30 probiotic for the Chinese market in a novel snacking delivery system. This brings digestive health benefits to a commonly consumed food that is already a great source of natural protein and healthy fats. That's the kind of inspired food innovation that helps us nourish possibilities in the expanding the market for healthy, functional nutrition.

Increased Focus on ESG in Beauty & Personal Care M&A

By Luc-Henry Rousselle

Values-based criteria or Environmental, Social and Governance (ESG) matters are increasingly important to potential strategic and private equity investors in the Beauty & Personal Care (BPC) space when considering an investment or acquisition.

A History and Track Record of Focus on Charity, Social Impact and Sustainability

The BPC space has a long history of generosity when it comes to supporting charitable and sustainability causes. The famous pink ribbon of the Breast Cancer Research Foundation founded by Evelyn H. Lauder is one of the most iconic charities in the BPC industry. It is hard to imagine today that breast cancer used to be taboo. One can only be in awe of the impact on awareness and research that this initiative, supported by the broader BPC industry, has had. Many other great causes are supported by large powerhouses, like the MAC AIDS fund and its global Viva Glam campaign or the L'Oréal Foundation, as well as indie brands, like Chantecaille's support of animal preservation.[1] Brands have leveraged their success to support causes that matter to their founders and align with their brand values, and typically are synergistic with their public relations efforts. Furthermore, most of these campaigns are incredibly authentic. They often become the "heart" of a brand and a rallying point for employees as I certainly experienced first-hand during my time at MAC.

As the BPC industry is a part of the cultural zeitgeist, it is no surprise that sustainability and social issues are top-of-mind for retailers, consumers, leaders and employees. These topics matter a lot to consumers who look to associate with brands that align with their values and who vote with their wallet. A recent Nielsen survey showed that brands with conventional labels were growing slower than brands that made clean and sustainability claims.

The key strategic players are leading by example and committing to ambitious goals when it comes to sustainability and social causes. This has real operational consequences, on supply chain for example, with commitments such as steep reductions in carbon emissions or increased use of recyclable packaging. The larger groups are setting standards for all to see and to measure themselves against. Natura & Co, the Brazilian purpose driven beauty group and the world's largest B-corp, set bold sustainability goals for 2030 for itself, including on topics such as fighting deforestation in the Amazon and implementing product refill schemes in 400 Body Shop stores.

1. Chantecaille was recently acquired by Beiersdorf.

L'Oréal, another pioneer in these matters, reduced the CO_2 emissions of its plants and DCs by 81% since 2005 in 2020, while production volumes increased 29% over the same period.

All of this is reason to be proud of our industry and its efforts to contribute to a better world and offset adverse impacts, but why does it matter to M&A and investment activity?

Due Diligence Focus on ESG Matters in Beauty & Personal Care

As the leading strategic buyers have made more and more ESG commitments, it will become harder and harder for them to acquire and integrate brands that are not at least making efforts to put themselves on the path. We have heard from multiple large groups that brands that don't adhere to certain ESG policies or make authentic efforts towards sustainability and social causes have become out of scope for M&A. Similar to clinical claims, ESG credentials will need to be backed up, and sellers should expect potential suitors to request supporting evidence on these matters.

Targets that would need a heavy lift to be turned around to meet the broader group's established policies or long-term goals may face hurdles to go through an M&A process. In other words, brands that are not paying attention to these themes may see the field of potential suitors narrow. We don't believe a strong ESG policy will suffice to justify an acquisition, but a lack thereof may deter select buyers that are highly focused on these matters.

The recent acquisition of Ilia by Clarins is a recent example of alignment of values around clean and natural beauty. "From a strategic point of view, the acquisition is in line with our goal of supporting exceptional brands that share our values and vision, and it will strengthen our foothold in the US," said Prisca Courtin-Clarins, deputy CEO of Famille C. Regarding the acquisition of Chantecaille, Vincent Warnery, Beiersdorf's CEO, commented that "with its strong philanthropic approach, Chantecaille is a clarion voice for global environmental concerns and supports conservation efforts around the world that are in line with Beiersdorf's sustainability agenda CARE BEYOND SKIN."

William Hood & Company recently advised Beekman 1802 on a majority sale to Eurazeo Brands, and the Beekman 1802's authentic focus on community and kindness as a value was a key driver of the transaction. Regarding the rationale for investing in the brand, Adrianne Shapira, Head of Eurazeo Brands North America, commented "[People are saying,] 'I want a product that works for me, but I also want products with a purpose."

We believe this is another nuance of BPC M&A to bear in mind and that entrepreneurs or private investors should review what ESG strategies their brands have in place as part of their exit preparations. Most of all we are proud to be a part of a dynamic industry that cares and gives back.

The Biking Boom

By Kevin McGee

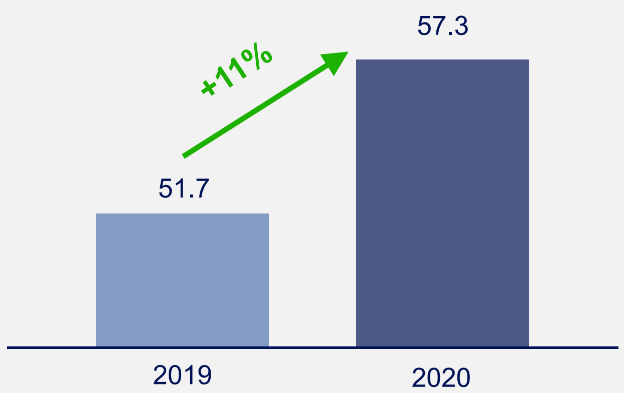
A Large and Growing Industry

The market for cycling is rapidly expanding, propelled by consumers' desire to participate in outdoor fitness activities. The industry has boomed in recent years as riding participation and annual sales across all bike categories reached all-time highs. While lifestyle changes imposed by COVID-19 were a key growth driver, interest in bicycling was ramping up prior to COVID as biking participation grew a healthy 25% from 2007 to 2019 (Source: MBAction).

Industry growth in 2020 was unprecedented, reaching more than $8.6 billion in US sales. The industry slowed slightly in 2021, ending the year at $8.3 billion; however, that is still a 45% increase over 2019 figures (Source: NPD). The decline in 2021 was driven by supply chain issues—demand remained high, but inventory levels were low given vast supply chain delays. Supply chain disruptions meant that several bike categories were not widely available for consumers at key points during the year.

With the continued acceleration of e-bikes and potential easing of supply chains (when compared to 2021), 2022 is expected to be a solid growth year even as the industry now operates from a new, larger baseline. Growth is also expected to be strong over the long term—as consumers continue reshaping modern living by focusing on active lifestyles and sustainability, bikes are increasingly used for physical exercise as well as an alternative mode of transportation. Within the US and throughout several European countries, the biking boom has been bolstered by government funding, establishing thousands of miles of new bike lanes, paths and trails across cities and public land.

Increasing US Biking Participation



Millions of US population ages 6 and over

Source: SFIA

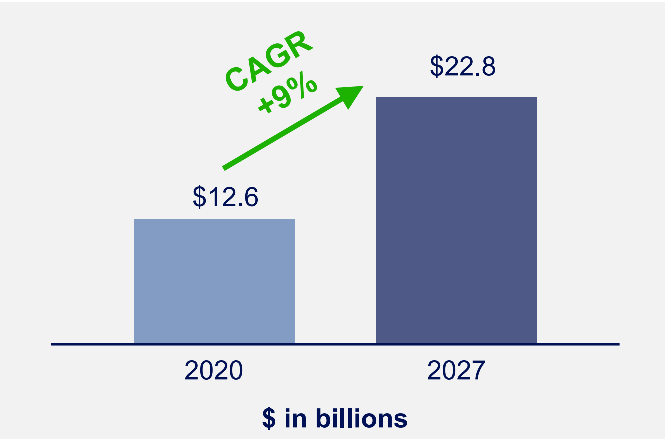
STRONG FUNDAMENTAL CYCLING TRENDS		
50%	**78%**	**35%**
of Americans plan to ride bikes more often post-pandemic	increase in global bike trips for females in 2020	increase in global bike trips for males in 2020

Source: UCI.org and Strava

Mountain Biking

Mountain biking has become increasingly mainstream, as new and experienced riders look to stay active, explore and reconnect with the great outdoors. Mountain biking has experienced a significant rise in popularity in the past decade, driven by improved bike technology, an increased trail infrastructure and growing youth participation.

Growing Global Mountain Bike Market



Source: BlueWeave Consulting

US mountain bike participation rose to an all-time high in 2020 with more than 9 million people participating in the sport (Source: SFIA). Ridership fell slightly in 2021 to 8.7 million people; however, that is still the industry's second highest participation rate on record. With increased participation across the country, trail usage is exploding as significant investments are being poured into developing mountain bike trails. Approximately 2,000 miles of new trails were created in the US in 2020 (Source: NY Times). Additionally, ski resorts are increasing off-season business by building out expansive trail systems, including cycling-specific "bunny slopes" for new riders, and "black diamond" trails for advanced riders.

Developments in mountain bike technology have led to increased safety and comfort across all price points from entry level ($400—$600) to ultra-high end ($10,000+) bikes. Avid and enthusiast riders can customize their bikes—from frame design to high-tech suspension systems—to ride the most treacherous terrain, while casual riders can purchase a high-quality bike and have a great adventure on flat trails in the woods. The appeal to a wide audience and accessibility to a growing number of trails across the country are two factors that are contributing to the sustainable growth expected to occur in mountain biking over the long term.

Exponential Trail Growth

The dramatic increase in the number of mountain biking trails over the past decade indicates strong demand for the sport.

Global mountain bike trails in thousands, cumulative trails added.

Source: Trailforks

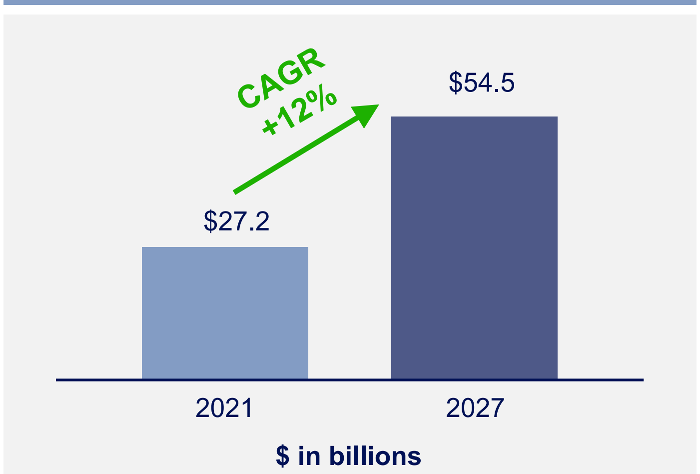
The Rise of E-Bikes

One of the largest, and certainly most exciting, segments of the bike market is the e-bike (electric bike) category. It is a true game changer for the industry. Increasing adoption and usage rates for e-bikes has led to explosive growth that shows no signs of slowing:

- In 2021, e-bikes sales grew 39% (vs. -4% for overall bike market) to reach $770 million in the U.S., which surpassed the sale of road bikes ($599 million) for the first time (Source: NPD).
- E-bike sales have grown 8x since 2014, and are outpacing sales of traditional pedal bikes
- People are now buying more e-bikes than electric cars at a rate of 2 bikes to 1 car (Source: Verge).

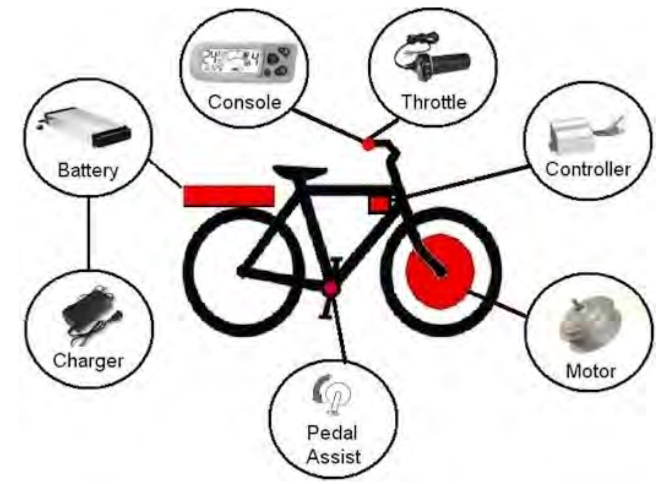
This growth has been fueled by improved technology, particularly lithium-ion batteries that allow for more efficient, less expensive production, and consumer appetite to live healthier, more sustainable lives. With the

Global E-Bike Market



Source: Mordor Intelligence

e-Bikes Parts and Structure



Source: electric-bicycle-guide.com

growing health-consciousness among consumers, bicycles are seen as an increasingly dependable and healthy mobility option and e-bikes play a major part in that shifting behavior. E-bike usage is highest in the European and Asian markets, and the US market is following suit. Men between ages 45–65+ dominate the US e-bike landscape, but female users are rapidly entering the category.

Within the e-bike market, electric mountain bikes (“e-MTB”) have become one of the fastest growing bike segments, as they allow riders to go farther and faster relative to traditional bicycles. E-MTBs provide riders with additional convenience and fun without taking all the effort out of the adventure. E-MTB adoption and usage rates have been significantly increasing in recent years. In 2020, 25% of all money spent on mountain bikes were of the e-bike variety (Source: Forbes). E-MTBs have increased access to the sport and users on trails—families, riders who would have aged out and others who would not have otherwise entered the sport. E-MTBs provide many benefits, reducing the harshness of the learning and fitness curves associated with

traditional mountain bikes. By doubling or quadrupling pedal power, the bike serves as a tool that provides riders both the stamina and the time to go on more trails.

Outlook—Strong Growth Despite Supply Chain Challenges

The bicycle market has experienced extraordinary demand in the last two years as consumers have flocked to the outdoors as they look to maintain a healthy lifestyle. Many of those consumers contributed to the record setting participation rates within the biking sector. In the face of burgeoning demand, the industry's supply chain (predominately located in China) experienced significant challenges and delays as a result of component shortages, factory shutdowns and shipping issues. Despite the supply chain challenges, the industry experienced record revenue as consumers ordered products that were backlogged several months. Many bike manufacturers expect supply chain delays and extended lead times to continue into 2022 (and potentially 2023). Even with these production delays, the industry is projected to continue growing at a rate of 8% per year globally from 2022 to 2030 (Source: Omnia Retail). Look for e-bikes to drive much of that growth as adoption and usage rates skyrocket in the coming years.

TRAVEL

Travel is back. It's great to be able to see clients, friends and one another, live and in person again.

Visiting the Beekman 1802 founders on their farm.

WHC Team retreat in Tulum.

Liz and Jill partake in high tea while connecting with clients in London.

Greg with Nutrition21 CEO Mike Satow and President Joe Weiss; and with the winning bidder, Andrew Hochman of Roundtable Healthcare Partners.

Greg and Kerry's John Quilter after the Natreon closing (with special guest Mossie Quilter).

William and Jill in Australia for the Voost closing dinner and business development.

Enjoying the Troy Lee closing (rider is not Kevin).

SHOWING UP FOR THE INDUSTRY

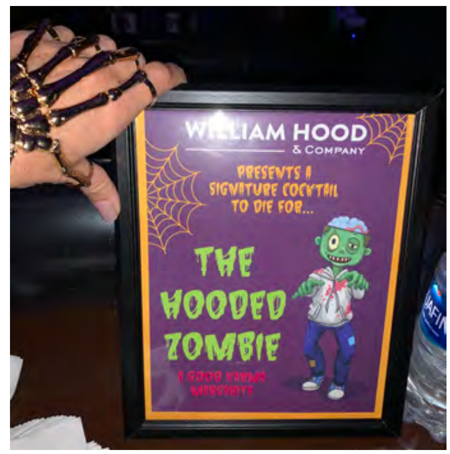
We are showing up to all of the nutrition industry trade shows, and even sponsoring the What's Up with SUPPS after parties.

Networking dinner at SupplySide West.

Greg at VitaFoods 2022.

Jill and William coach Bay Area entrepreneurs on exit strategies at Near Future.

William gives the M&A Markets Keynote: Expo West 2022.



Sponsoring the What's Up with Supps SSW Halloween party.

HAPPY OCCASIONS

Liz on a honeymoon adventure with Chris.

Luc-Henry shows off his new daughter, Elodie.

THOUGHTS?
Please share them!

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