

William Hood

GLOBAL CONSUMER & LIVING WELL
NEWSLETTER

NOVEMBER 2019

TRENDS | TRANSACTIONS | TRANSCRIPTS | TRAVEL

FOR CLIENTS & FRIENDS OF THE FIRM



TRENDS

It's an exciting time for the global Consumer & Living Well™ industries. Consumer desire for better, healthier ways of looking and feeling their best is driving a bloom of innovative products and companies. Meanwhile, the benefits of nutrition and healthy living are increasingly being validated by science. We've been at it a long time, and it keeps getting better...

Natural Products Expo East

Expo East is the second largest natural products trade show of the year. It was almost 90 degrees in Baltimore for this year's show.

Here are some hot trends and observations:



1	A Sea of CBD	From tinctures to tonics to cookies and candies – CBD is everywhere.
2	Mushroom Magic	Fungus are popping up everywhere from medicinal to culinary products.
3	We Use Cookies	Cookies are the hot new delivery system for everything from CBD to protein.
4	Cognitive Awareness	Feeding the brain is in, from kids through aging Boomers.
5	Sophisticated Sodas	A new wave of mixers give an adult-beverage feel without the booze.
6	Plant Based Everything	Vegetarianism has definitely broken out of niche status.
7	Bone Broth: The New Cure-All	Now sold frozen, powdered and even in pet food.
8	Still (Collagen) Crazy	More products featuring the parts of the animal we don't usually eat.
9	Health From The Sea	Ocean nutrition from seaweed snacks to omega-3s.
10	Food Tribes	Keto, Paleo and allergen-free each made a strong tribal appearance.
11	Pets Are People, Too	The personification of pets continues, with people food for fur babies.
12	Probiotics & Beyond	Probiotics are finally evolving to a microbiome-based approach.

We would be happy to share our point of view on any of these trends with clients.



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Musings from the West Coast: NBJ Summit Recap by Jill Staib

For the second year in a row William Hood & Company was honored to serve as the title sponsor of NBJ/New Hope Network CEO Summit this past July. The theme of this year's summit was collaboration and the conference served as an effective forum to bring together nutrition industry leaders to discuss hot topics – yes CBD was on the agenda! Other highlights from the summit were the Innovation Fix where four health and wellness companies presented their innovation ideas to a panel of accomplished judges (including Greg Horn) as well as the always popular opening State of the Industry address featuring our very own William Hood!



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The Promise of Personalization by Greg Horn



Personal Vita Plan at GNC Herald Square, circa 1998

Personalization, creating custom products tailored specifically to individual needs, offers tremendous promise for making nutrition more effective at improving health. When we first created the Personal Vita Plan inside GNC Live Well stores in the mid-1990's, we thought that personalization was the ultimate form of branding. We still hold that view, and the technology has come a long way since then.

Now there are several innovative companies providing personal nutrition products customized to individual needs:



care/of

made for.

Today's technologies enable three levels of personalization. The first level is quiz-based: The customer answers a set of questions (age, gender, activity level, etc.) and a personalized set of supplements is selected based on the information provided. The second level includes health data (cholesterol levels, hormone levels, etc.) as an input in addition to quiz answers. This provides a much more robust baseline for making supplement recommendations. The third level includes inputs from the first two levels but closes the loop by re-testing and refining the supplement regimen as results and inputs change. Regulatory restrictions mean that the third level requires supervision by certified professionals.

The technology enabling personalized nutrition will continue to advance, providing better and better tools to deliver the ultimate in branding – products tailored to an individual's evolving needs with tangible proof of efficacy for that person. We applaud the forward-thinking companies who are moving this field towards effective nutritional therapies.



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TRAVEL

We are active: Not just in helping companies and working on deals, but in helping others, pursuing our research interests, seeing the world, and living well ourselves. Its' a big world, and we get out there!



AFRICA

Our partnership with Vitamin Angels continues to grow with William and Jill joining the Global Board and William joining the Board of Trustees in the U.K. When we first met with Founder and CEO, Howard Schiffer early in the life of our firm we explained that we do not have vitamins to donate but that we do have our time and a very potent global network. Since we established our partnership we have donated capital, sponsored many key fundraising events for Vitamin Angels including at Expo West and Supply Side West, and have helped build

awareness for the non-profit among our business friends and clients. And this Summer we were lucky enough to participate in our second trip into the field with Howard.

The week before the NBJ Summit we flew to Cape Town via London and then onto the Transkei, South Africa's wild (and beautiful) East Coast, where villagers still live in relative isolation cut off from the main cities and towns

by distance and poor roads. We spent two amazing days and nights at the Bulungula Incubator in rustic conditions visiting and interviewing the local health center, local mothers and the newly formed school. We were joined by Chad Clawson of Nutraceutical, Tara Burkley of New Hope and Tonya Lee Lewis of Movita. Nutrition is a key ingredient to the success of development work in places like Bulungula and Vitamin Angels is a key partner in the clear success of the project.



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NORTH AMERICA AND EUROPE

Greg has been back and forth to Europe four times this year, working on deals and going through labs. A June trip to western Ireland to visit a research facility focused on identifying and testing bioactives from seaweed was especially fascinating. It turns out that macroalgae is one of the next great sources of health ingredients. In addition to speaking at the NBJ Summit, attending Natural Products Expo East and Supply Side West and briefing businesses on trends in nutrition, Greg also attended a seminar at the Alzheimer's Association International Conference in Los Angeles with the leading researchers on nutritional approaches for supporting brain health with the goal of slowing the progression of dementia.



Luc-Henry has been traveling extensively to the West Coast and Europe to keep deepening our relationships in the beauty & personal care ecosystem. In August, Luc-Henry participated on the Deal Appeal panel at the Beauty X Capital conference in New York with Carol Hamilton (Group President – Acquisitions, L'Oréal), Janet Gurwitch (Operating Partner, Castanea) and Elizabeth Edwards (Partner, H Ventures) among others. Furthermore, William Hood & Company hosted its inaugural Thought Leadership Breakfast in New York where recent trends and opportunities in professional beauty & personal care were discussed. The intimate and highly interactive event gathered a group of thought leaders from leading beauty manufacturers, retailers and investment firms.



The beauty and personal care M&A and investment environment remains strong. The recent acquisition of Drunk Elephant by Shiseido and investment in Herbivore by Silas Capital highlight the importance of clean beauty and brands resonating with Millennials and Gen Z to strategics and investors alike. In the wake of the Galderma, formerly known as Nestlé Skin Health, acquisition by EQT and ADIA, we note more large transactions are being considered as Revlon is exploring strategic alternatives and Coty announced it will be considering options for its professional beauty division. As such, we believe 2020 will be a robust year for M&A and investment activity in the beauty category. We welcome the opportunity to partner with you and share our thoughts on the relevant trends and opportunities.



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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

- Ritual, a subscription-based DTC model selling women's daily and prenatal vitamins, has raised \$25 million of Series B financing from Norwest Venture Partners, with participation from Forerunner Ventures and Founders Fund.
- Innophos, a leading international ingredient producer, has been taken private by an affiliate of One Rock Capital Partners, a leading private equity firm, for approximately \$988 million, implying revenue and EBITDA multiples of 1.3x and 9.0x, respectively.
- Better Choice Company has acquired Florida-based Halo, an animal health and wellness CBD company, for an undisclosed amount.
- KIND Snacks has acquired North Carolina-based Creative Snacks, a better-for-you snack manufacturer, for an undisclosed amount.
- Shiseido Americas has acquired Texas-based Drunk Elephant, a leading prestige skincare brand, for \$845 million, implying a 4.5x revenue multiple.
- Canopy Growth Corporation has acquired Canada-based BioSteel Sports Nutrition, a leading producer of sports nutrition products, for an undisclosed amount.
- California-based BEFORE Brands, a specialist in early childhood allergy prevention, has received an undisclosed majority investment from Nestlé Health Science.
- S.C. Johnson has acquired Chicago-based Oars + Alps, a manufacturer of skincare products for men, for \$20 million.
- The Hershey Company has acquired North Carolina-based ONE Brands, a maker of low-sugar, high-protein bars, for \$397 million.
- Nestlé Health Science has acquired Washington-based Persona Nutrition, a portfolio company of L Catterton which offers a personalized supplement subscription service, for an undisclosed amount. The acquisition will allow Nestlé Health Science to expand into personalized nutrition through Persona's science-based proprietary technology.
- The Simply Good Foods Company has acquired California-based Quest Nutrition, a healthy lifestyle food company, for \$1 billion.
- Vitamin Shoppe, an omni-channel specialty retailer and contract manufacturer of nutritional products, was acquired by Liberty Tax for approximately \$639 million, implying a revenue and EBITDA multiple of 0.6x and 10.2x, respectively.



- New Jersey-based Cambrex Corporation, a leading small molecule company providing drug substance, drug product and analytical services across the drug lifecycle has been taken private by Permira Advisors, for \$2.6 billion, implying a revenue and EBITDA multiple of 4.4x and 17.4x, respectively.
- Snapdragon Capital Partners and The Maze Group have acquired a minority stake in Utah-based Nutraceutical, a manufacturer and distributor of natural vitamins, supplements and personal care products, from HGGC. The investment will allow Nutraceutical to enter its next phase of growth with the assistance of Snapdragon and Maze's operational expertise and hands-on experience building successful growth brands and category leaders across the consumer spectrum.
- Colgate-Palmolive has acquired France-based Laboratoires Filorga, a premium skincare brand, for \$1.7 billion.
- WM Partners has acquired Ohio-based Ultima Health Products, a provider of sugar-free electrolyte hydration products, for an undisclosed amount.
- Unilever has acquired California-based Tatcha, a leading prestige skincare brand, for an amount reported to be around \$500 million.

Highlight: Recent William Hood and Company Client Transactions

<p>Sellside</p>  <p><i>a Portfolio Company of</i></p>  <p>acquired by</p>  <p>2019</p>	<p>Sellside</p>  <p><i>a Portfolio Company of</i></p>  <p>minority investment from</p>   <p>2019</p>	<p>Sellside</p>  <p>acquired by</p>  <p>2019</p>
<p>Sellside</p>  <p>strategic investment from</p>  <p>2019</p>	<p>Sellside</p>  <p><i>a Subsidiary of</i></p>  <p>acquired by</p>  <p>2019</p>	<p>Sellside</p>  <p><i>a Subsidiary of</i></p>  <p>acquired by</p>  <p>2019</p>



Making it Personal: An Interview with Jason Brown of Persona

Greg caught up with his old friend and serial entrepreneur Jason Brown on the streets of New York City for a personal interview about personalization:

Greg: Personalization is not really new, but it keeps getting better. How has the category evolved since generation one in the late 90's:

Jason: Our first personalized nutrition company took shape in 1998 when we leveraged technology from the drug compliance industry. At that time, we knew knowledge about nutrition's impact on health would inform the business. We leaned on medical doctors like Andrew Weil and Nathan Pritikin to be the foundation of supplement recommendations for overall health and wellness. We learned our timing was very early because the internet was still clunky and people were not yet comfortable with online purchases. We merged that business with Drugstore.com for more rapid commercialization. Fast forward to 2016, when my partners and I decided the time was right to create a medically sound nutritional support algorithm that would take drug nutrient interactions into consideration and become the thought leader in personalized vitamins and supplements. Unlike when we started 20 years ago, when we relaunched as a credible nutritional resource that delivers personalized vitamins and dietary supplements directly to consumers' doorsteps. We're revolutionizing the way people buy and consume their vitamins – it's an exciting time for health, wellness and nutrition.

Greg: What advances did you build into the Persona personalization program?

Jason: We have an intelligent system at the heart of Persona. The dynamic nature of our

questionnaire makes it possible for each individual to get a recommendation unique to their own body, dietary preferences, lifestyle factors, prescription medication use as well as many other factors that make them unique. Each question takes you to the next question in a customized way, resulting in a highly personalized unique recommendation. This technology married with our specialized packaging equipment means 5 trillion unique combinations are possible. Our smart system also includes important safety features including upper/lower regulators and drug-nutrient interactions - potential reactions as well as depletions. Our drug database includes 1,500 drugs and that's growing daily. The Persona medical advisory board meets on a monthly basis, and we revise recommendations based on their feedback. We also have high-quality and smart products inside the pack, including a timed-release melatonin that changes on a month-to-month basis for those who report sleep issues.

Greg: How is a personalization system better than an informed consumer just picking for themselves?

Jason: This is a great example to help illustrate why it's better to use a personalized nutrition system instead of simply selecting vitamins that are made for the masses from store shelves. We conducted a national, independent, survey of Americans and found that nearly 40 percent of adults who are taking a prescription medication and dietary supplement do not know that vitamins and supplements can impact the effectiveness of each other. As more Americans combine prescription medications with dietary supplements, the potential for interactions increases. The Persona algorithm is designed to take the guesswork out of dietary supplements, providing a new way to help this



population avoid risky drug nutrient interactions.

Greg: What does the Nestle Health Science relationship bring to Persona?

Jason: The partnership with Nestle Health Science brings Persona articulated science and depth of collaboration with thought leaders, with an eye to 2025 instead of the next quarter.

Greg: Will your company be different as a part of the Nestle Health Science portfolio?

Jason: We are now part of a global science platform with tremendous focus on innovation from qualified R&D. We are now working with professionals that are dedicated to health and wellness, scale, global expansion. As an example, I'm already meeting with global

business leaders across the Nestle system regularly, to accelerate the adoption of personalization across the entire global nutrition business.

Greg: What was it like to work with William Hood and Company?

Jason: While I have worked with a number of investment bankers throughout my 40 years of entrepreneurship, I have never experienced the instantaneous depth of category knowledge and focus in a coordinated way the way that William Hood and Company provided. They looked up and down the value chain, searched out opportunities and presented them in a rapid and focused manner while providing support that culminated in a true strategic relationship.



Nutraceutical is about to be more aMAZing: An Interview with Zack Werner



Nutraceutical Corporation recently added Snapdragon Capital and The Maze Group as strategic investors in an innovative deal that brings new capabilities to the company. We caught up with digital marketing guru and data mastermind Zack Werner of The Maze Group in a rapid-fire discussion on the nutrition business, the opportunity for a more analytical approach for health consumers, and his recent investment in Nutraceutical Corporation.

Greg: Tell me a little bit about The Maze Group.

Zack: The Maze Group is a consulting firm that uses technology and data to create significant value for private equity-owned and public companies. We engage where there are big opportunities to drive value through the application of a combination of modern technology and pragmatic e-commerce tactics.



We have a long track record of helping our clients and their sponsors efficiently build and scale profitable businesses online. We also have our own software development capabilities, which gives us a speed and efficiency advantage.

Greg: You have a successful consultancy now, what made you want to become an investor in Nutraceutical Corporation?

Zack: We've been building value for our client companies for a long time. With Nutraceutical, we saw an unusually strong opportunity to build value by applying our skillset to the company's emerging online business.

Investing was naturally the best way to realize value, and it also lets us align with the strategies and projects we create for the long term. Board level participation means that the process is seamless, from creation of strategy through execution and fine-tuning.

Greg: What attracted you specifically to the Nutraceutical opportunity?

The overall nutrition category is growing significantly, which makes it attractive in the macro. A large share of that growth is coming from customers finding and buying products online. The boom in online nutrition sales is driven in part by new science and ingredients, but also by great content that lets consumers discover the benefits of new products and convinces them to give the products a try. So, discovery is happening online, but the hard part is in researching, developing, manufacturing and testing the highest quality products. That's where Nutraceutical stands out. They are already doing the hardest part, and have developed a world class capability to scale it further. But their online presence and e-commerce capabilities barely exist, and that's where we were brought in originally to help. I fell in love with the company's vertical integration, high margins and the chance to put these stellar brands online with a modern digital strategy. We have worked very closely with Mark Grabowski of our partner Snapdragon Capital for many years and think he brings unparalleled insight into the Nutraceutical opportunity. On top of this, we have a deep respect and high confidence in the investment professionals at HGGC, as well as the Nutraceutical management team that we were already working with as a service provider.



Greg: How can online be complementary to retail store distribution?

Zack: It's very difficult these days to build a growth business that is not omnichannel. As a brand, you want people to be able to find products wherever they find it most convenient to learn and purchase. Consumers don't interact with brands in a single channel vacuum. They look up features, ratings and prices on their phone while standing in a store, but also research products online and then go to a store to buy. So social/digital can drive retail sales and vice versa. It's all connected and, and truly successful businesses always figure out how to cross these channel divides. Good marketing is letting someone who already should want a product know that it exists, and that it is available now. To do that effectively, communication and distribution channels cannot operate in isolation.



Greg: How is data side of marketing going to figure into your efforts at Nutraceutical?

Zack: Modern data-driven marketing tools span the entirety of the product development and purchase life cycle. We start with lots of data from offline, online and Amazon sales. From that data you can derive important insights including 1) Consumer purchase behavior and segmentation for targeting, 2) affinities between products for cross selling, 3) Purchase trends and competitive performance that can inform the product development cycle, and 4) Lifetime value by customer group and product type so we prioritize our time and investments. We can create a great feedback loop for identifying what consumers want and giving it to them quickly, backed by the power of Nutraceutical's vertical integration and high quality manufacturing.



Greg: Any Big ideas you want to share about category or company?

Zack: One of the things that's super exciting about

Nutraceutical is the vertical integration from production to packaging and distribution, as well as the company's breadth of brands. That breadth of offerings covers a lot of customer needs and interest profiles. To serve those customers, our verticalized setup offers significant advantages over competitors that will have to rely on contract manufacturers. That kind of reach and production capacity will help us serve our customer's health needs with a high degree of speed and precision, making them even happier with their brand and product experience.

Greg: Closing thoughts?

Zack: For us, the Nutraceutical opportunity represents a convergence of a lot of positive things. People are hungry for ways to improve their health, and willing to spend. With a wide array of established brands, Nutraceutical is well positioned to serve that market. Meanwhile, the typical supplement supply chain is fragmented with lots of middlemen and contractors that create opportunity for diminished quality. We're proud that Nutraceutical Corporation is vertically integrated and makes the best products on the market. They have substance and integrity in what they make, and are deeply committed to constant testing to make sure it stays that way. We are experts in digital growth, and that's where we see synergy. There will never be a shortage of new startup brands that can open up consumer awareness. But we believe that in the end, customers will always find the best products, and that's what Nutraceutical makes. We're excited to help accelerate delivery of the best products on the market.



OLLY Closing Celebration

When we founded William Hood & Company we set out to build a disruptive investment bank where culture REALLY matters.

We are consistently inspired by our clients and knew the challenge was on when it came time to plan a celebratory closing dinner for one of our most recent clients and a company known for its incredible culture - OLLY. Luckily Courtney Wunderlich was up for the challenge and planned an unforgettable night at the Museum of Ice Cream in San Francisco for the OLLY team.

This group knows how to have a good time!



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Meet Liz Van Pelt, Our New Vice President

Tell us a little bit about your background

Liz: I started my career in the Valuation Advisory Services practice at Duff & Phelps. After realizing that my passion in life was, simply put, relationship building and talking to people, I joined the Houlihan Lokey Consumer, Food & Retail team to work with companies across the beauty and personal care and consumer health sectors. I closed the sale of Zarbee's Naturals to J&J and worked on a number of other transactions. William was one of the MDs that hired me into the Consumer, Food & Retail group at Houlihan.

What attracted you to William Hood & Company?

Liz: William Hood & Company was the first investment bank to have what I assessed to be a truly unique and differentiated value proposition. In a world where the transaction process is becoming commoditized, WHC has put true partnership, personal friendship and industry expertise first – I believe that this is the “X Factor” or edge in a saturated and increasingly competitive market.

And, of course, William, Jill and the whole WHC team are some of the most driven and hardworking individuals in the industry. Beyond that, they're just great, caring people. Can't really ask for more.

You've been with William Hood & Company for several months now – what has been the best part of the experience?

Liz: Being on the road with the team attending industry events and meeting key decision makers has been the best part of the experience. I'm loving this industry and the ability to broaden my knowledge base.

What do you like most about advising consumer companies in the middle market?

Liz: I've always liked working in consumer products because the businesses are so relatable and tangible. The best part about the middle market is hearing the remarkable success stories of the entrepreneurs and management teams.



What's the best piece of advice you've ever received?

Liz: Growing up, my dad always told me to “Walk with Kings, but Not Lose the Common Touch” – it's a slightly modified stanza from Rudyard Kipling's famous poem “If.” I think it's a more elegant way to say remain humble, never read the press of your own success and always offer helping hand. This has stuck with and guided me both personally and professionally.

How do you spend your time outside the office?

Liz: I recently got engaged, so most of my free time right now is spent planning my wedding! My fiancé and I are considering both NYC and Napa, so there's been a lot of venue tours complete with wine tastings. Outside of that, I really like to spend my free time with friends and family. I'm lucky enough to have family nearby in Philadelphia and Connecticut as well as a close knit group friends from high school and college here in NYC.





THOUGHTS?

Please share them!

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