

# William Hood

GLOBAL CONSUMER & LIVING WELL  
NEWSLETTER

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OCTOBER 2021



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

## In the News...

### **The Deal**

May 18, 2021

"It's an exciting time because the food industry is like a giant that woke up to the promise of tech — that applying these technologies can help the business drive sustainability and profitability," said Greg Horn, a managing director and head of the ingredients practice at consumer-focused investment bank William Hood & Company.

### **BEAUTYINC**

November 20, 2020

"We're going to continue seeing interest for skin care as a strong category, in particular in regards to natural skin care and dermocosmetics in both prestige and mass channels. We're going to see continued interest in hair care as the category continues to outperform the other categories," said Luc-Henry Roussele, managing director at William Hood & Company.

"William Hood of William Hood & Co. told attendees that M&A is at a historic high. Big companies look for scale—\$50 million, \$75 million, \$100 million in revenue. Investor funds and venture capital can help small companies get there."

### **WholeFoods** MAGAZINE

Informing and Educating the Natural Products Industry







NUTRITION BUSINESS JOURNAL

APRIL 2020

Investment banker William Hood sees that new normal as perhaps the biggest opportunity the industry has ever been presented. “I do believe that there will be a new norm, just like there was after 9/11, in terms of people’s behavior, individual behavior,” Hood says, “and I believe that this new norm will manifest itself through an increased vigilance about one’s health, wellbeing, immunity and in prevention.” “And that all leads to higher supplements sales,” he adds.

Greg Horn remembers bringing personalized pill packet machines into select stores when he was CEO at GNC. ... “This is just a much more sophisticated form of contract manufacturing,” Horn says, “and it opens up the potential for the unlimited creative activity of marketing, but with a solid back end already built.” ... “It can definitely open it up to new players,” Horn says.

Greg Horn, managing director and partner at William Hood & Company, also speaks of the evolution. “This current wave is different,” he says. “The marquee transactions aren’t necessarily these venerable old companies from the pre-DSHEA days. Some were founded just five or six years ago. It’s a new generation of innovative marketers filling in the niches.” Horn’s experience in this category runs deep, over several decades, with stints at the helm of both GNC and Garden of Life. “If I think about the roadmap for nutrition over the past 30 years,” he says, “consolidation is just the natural outgrowth of a growing industry. It was super fragmented back in the day, with no clear regulatory framework to attract the interest of the larger CPG companies. It wasn’t even clear you could sell vitamins over the counter.” ... “There were no strategic buyers back when I was CEO at Garden of Life,” says Horn. “Now, they’re not only interested but they see nutrition as a real gem in the portfolio.”

**“The garden is blooming. I don’t worry about consolidation drying up the market. We sell the current crop, but we know where the next seeds are planted.”**

– Greg Horn, William Hood & Company

JULY 2021

**“We are in a new golden era for VMS. Interest in the sector has never been higher.”**

– William Hood, keynote investment climate remarks at the NBJ Summit.

**“Deals like Uqora are a chance for major brands to accelerate their strategies and to tap into a new and highly engaged consumer demographic.”**

– Jill Staib, co-chairing an investment case study at the NBJ Summit.

“The private-equity universe remains active,” says Hood, “but the challenge there is to invest before the targets get gobbled up by larger strategics. Larger strategics are now buying younger, disruptive companies earlier. They just need line of sight to \$100 million to be of interest, and sometimes less than that.”

“There’s an interesting dynamic occurring right now in the market,” says Hood. “The first wave of disruptors has come of scale and sold. I’m thinking of Olly, Liquid IV, SmartyPants. That next wave is coming up now. They’ve got venture funding, and they’re blowing through the \$75 million level of sales now.” Hood points to beauty-from-within, women’s health, and digestive health as likely categories where the next wave emerges.





## 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.



### Consumer Focus Remains on Health

Trade shows are back, and we go to all of them. Here are some trends and observations from Natural Products Expo East in Philadelphia and Supply Side East in New Jersey.



1	<b>Women's Health</b>	Brands targeting women's health niche conditions with effective solutions are thriving.
2	<b>Mushroom Momentum</b>	Mushrooms are weaving their mycelium into everything from protein powders to immune-boosting supplements to skin care products.
3	<b>Focus on Function</b>	Simplified benefit claims and better underlying science drive further consumer adoption and repeat usage, especially for post-pandemic self-care themes like weight management, sleep, stress.
4	<b>Hydration Is Hot</b>	Water with additives is the hot new functional nutrition platform.
5	<b>Sugar Reduction</b>	New labels requiring disclosure of added sugar are driving a desire to reduce.
6	<b>Beverages with Benefits</b>	The beverage business benefits from a bonanza of innovation.
7	<b>Digital Dominance</b>	Consumer discovery and purchase online are here to stay and are now the most likely place for brands to start.
8	<b>Supply Chain Pain</b>	An uneven supply chain will take years to find balance — manufacturers are running full out but still can't get caps on time.
9	<b>Plant-Based Everything</b>	From burgers to now dairy, chicken, eggs and fish, plant-based replacements are coming for animal-based products across the spectrum.
10	<b>A New Crop of Disruptors</b>	Venture capital flooding into the nutrition space is fueling a whole new generation of disruptive brands.

***We would be delighted to discuss our view on any of these trends in depth with clients.***





## A New Wave of Disruptors

By Jill Staib

On September 6<sup>th</sup>, we celebrated the fourth anniversary of William Hood & Company. To remind ourselves of how very far we have come in such a short period of time, we went back into the archives and pulled out our first-ever trends overview deck. The main focus of that narrative was centered around the concept of disruptors, a new phenomenon for the vitamin and supplement category at the time with brands like OLLY, Zarbee's and Smartypants hitting the shelves and stealing the share from legacy players that had been undisturbed for decades. While we did not have a crystal ball, we did a pretty good job of predicting some of the key trends and brands that would help shape the future of the category for the next several years to come:

From the WHC archives 2018:

### A New Generation of Disruptive Brands Are Emerging in Consumer Health



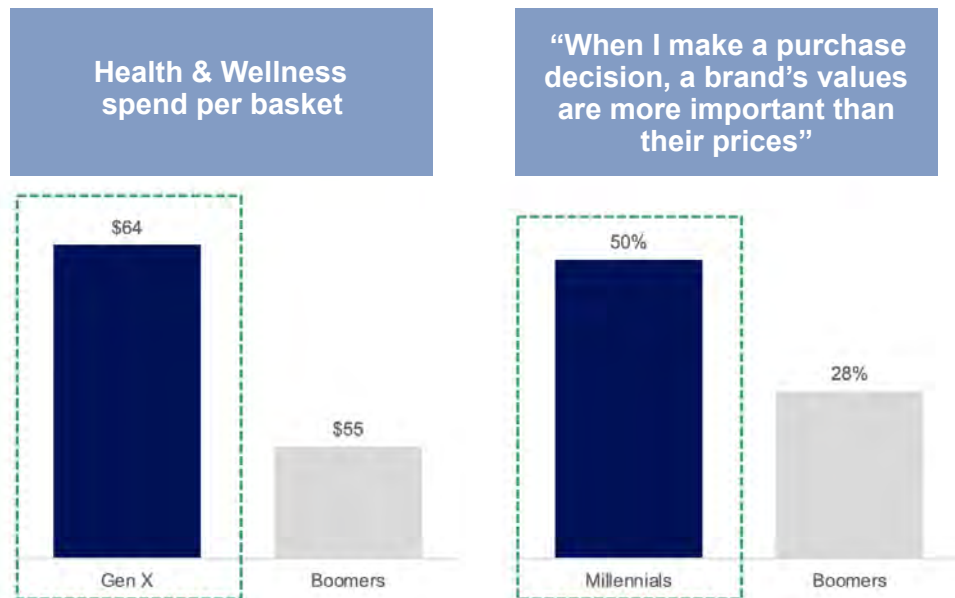
Of the 12 brands we featured, 6 have either already been acquired for trophy multiples by a large global strategic or have gone public! The small, sub-scale disruptors of the time have all grown up with new ownership and continued growth.

### Disruption, Evolved

As this wave of disruptors matures and the category continues to evolve, the idea of connective branding and having a direct to consumer strategy are now table stakes rather than disruptive. So what is next? How do we identify brands we think we will resonate not only with consumers but also potential acquirers? The answer is straightforward: As partners to the industry, we see a lot of VMS brands every single week. Identifying the businesses that are best poised for success generally comes down to how well they track macro trends to find the next big ideas. While the tactics for building a disruptor brand have evolved over the past four years, the fundamental macro trends fueling the category have remained constant. They include:



**Demographic Evolution:** Younger demographic consumers continue to be a valuable target for brands. They spend more on health & wellness and make choices about which brands to buy based on their values first versus price first.



**Digital Revolution:** The massive migration to e-commerce as a preferred shopping channel is not slowing down. 27% more consumers plan to shop online for VMS products post-COVID. In addition, over half of all consumers browse social media before making a buying decision.

**Consumer Connection & Empowerment:** After the uncertainty of COVID, consumers now more than ever want to feel in control and empowered to take their health into their own hands. Proactive, wholistic self-care is the norm, and brands that resonate with consumers through messaging and marketing that is authentic and approachable are winning.

*Identifying the businesses that are best poised for success generally comes down to how well they track macro trends to find the next big ideas.*

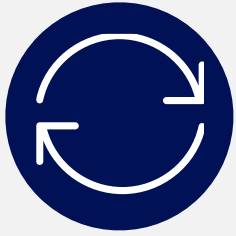


## Venture Funding Fuels the Next Wave of Disruptive Brands

The future is as bright as the past with many new brands on the scene hitting on all cylinders and ready to propel the category into the future. A flood of new venture capital into the nutrition space is accelerating growth of a whole new generation of disruptive brands. Companies like Nutrafol, Nourished, Seed, Even, and Jetson (and many others) are managed by sophisticated entrepreneurs and backed by smart venture capital firms that know how to help their companies get to scale quickly. This is fueling a dynamic next wave of exciting brands poised to displace incumbents and create significant new value. We still don't have that crystal ball but can predict with confidence that the next four years will be as dynamic as the last four!

### Disruptive Brands Fueled by Venture Capital





## 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 March 2021–September 2021

- Nestlé acquired Essentia Water, a premium functional water brand doing ~\$200 million in sales.
- Grenade, a leading UK performance nutrition player in the high-growth protein bar segment, was acquired by Mondelez.
- Sun-Maid Growers of California acquired Plum Organics, a leading premium organic baby and kids food brand, from Campbell Soup Company to augment its growing portfolio of BFY whole fruit snacks.
- LIFEAID, a functional, nutritional beverage brand, was acquired by Legacy Distribution Group.
- Onnit, a holistic wellness and lifestyle company centered around nootropic hero product Alpha BRAIN, was acquired by Unilever.
- Nestlé acquired the core VMS brands of The Bountiful Company for \$5.75 billion, representing 3.1x LTM revenue.
- Bentley Labs, a formulator and manufacturer of cosmetics and pharmaceutical products, was acquired by UK-based strategic The Hut Group.
- Nestlé acquired Nuun, a leader in the functional hydration market, to complement the company's portfolio of active lifestyle nutrition brands.
- Leading golf brand TaylorMade was acquired by Seoul-based Centroid Investment Partners.
- Marianna Beauty Holdings, a developer and manufacturer of hair and beauty products, was acquired by beauty manufacturer Arizona Natural Resources.
- Unilever acquired skin care brand Paula's Choice, a digitally led pioneer of science-backed products, from TA Associates.
- WM Partners announced the acquisition of Vega, a pioneer in plant-based protein.
- Swander Pace, a private equity firm specializing in consumer products, formed Triple Crown holdings to acquire T-Bev, a manufacturer and distributor of tea extracts, instant tea, natural and organic caffeine and other botanical extracts.
- L Catterton acquired a majority stake in Beauty Industry Group, a leader in professionally installed and DIY hair extension products.
- Glanbia acquired LevUp, a DTC gaming nutrition brand, for \$66 million representing 2.9x LTM revenue.





- Zesty Paws, the #1 best-selling multi-condition pet supplement brand, was acquired by Health & Happiness Group, signaling their continued expansion into pet health and wellness.
- Dr Organic, a pioneer in the nature/organic personal care sector, was acquired by Damier, a Belgian-based company led by consumer health care entrepreneur Yvan Vindevogel.
- Al Beauty Holdings, a newly formed affiliate of Advent International, acquired three iconic cosmetics brands — bareMinerals, BUXOM and Laura Mercier — from Shiseido for \$700 million.
- LCatterton-backed, science-based skin care brand StriVectin was acquired by Hildred Capital Management's portfolio company, Crown Laboratories.
- BWX, an Australian-based natural product player, has acquired a 50.1% stake in Zoe Foster Blake's skin care brand, Go-To Skin Care, for \$89 million.
- Full Sail Partners, a joint venture between Warburg Pincus and brand licensing consultant LMCA that began in April 2021, acquired the Odwalla juice and smoothie brand from Coca-Cola.

## Highlight: Recent William Hood & Company Transactions

<b>Sellside</b>  <i>has received a strategic investment from</i>       2021	<b>Buyside</b>  <i>acquired by</i>  <i>a subsidiary of</i>  2021	<b>Sellside</b>  <i>has received a strategic investment from</i>  2021
<b>Sellside</b>  <i>acquired by</i>  2021	<b>Sellside</b>  <i>has sold a majority stake to</i>  2021	<b>Sellside</b>  <i>acquired by</i> <i>an affiliate of</i>  2020

- Prenexus Health, a leading manufacturer of organic prebiotic ingredients for the supplement and F&B industries, raised \$15 million in Series B financing.
- Pharmavite acquired Uqora, a leading urinary health brand, to expand its women's health offering.
- Digitally native natural beauty and personal care brand Sky Organics received a strategic investment from Nexus Capital Management.
- Procter & Gamble acquired VÖOST, Australia's leading effervescent supplements 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.

### A Global Boost for VÖOST!

Tom Siebel is Managing Director of high-energy vitamins brand VÖOST, which has taken Australia by storm. We connected for an early morning/late night Zoom with Tom for an effervescent conversation from halfway around the world.

#### **Greg: Tom, when you co-founded the VÖOST brand, what was the big idea?**

Tom: My prior career was in food and pharma branded consumer goods. The idea for VÖOST came from an assessment of the effervescent vitamin category, which in Australia had seen one brand own the entire category for 20 years. The leader had the entire market with one basic product and boring presentation and formulations. I had been going to trade shows in Germany and saw this wide assortment of effervescent vitamins there. We wanted to disrupt the category by bringing something our market hadn't seen — something really fun and enjoyable to drink that would connect with millennials and people with vitamin pill fatigue and lots of choices. So, the big idea was to make vitamins fun (like beverages) and fantastic tasting, and that simple idea is what has propelled VÖOST to its current #1 spot.

#### **Greg: How did the VÖOST brand start and what does it stand for today?**

Tom: As you may have guessed VÖOST is short for Vitamin BOOST, and German quality and quirkiness (including umlauts for German personality and Bauhaus design) are in the DNA of the brand. Early on, we wanted people to think that the brand came from a confident German powerhouse pharma company. But we weren't... we were just a small and efficient startup with no scale of any kind. Having sat through hundreds of new brand pitches as a former grocery buyer, I knew we needed TV and breakthrough merchandising. So, I spent \$5,000 to make a quick-but-catchy 15-second animated ad. At the time, the TV show "The Voice" was rated #1 in Australia, so I spent another \$8,500 to run that 15-second spot one time in Sydney, the biggest market in Australia and the place where the buyer lived. Best \$13,500 I've ever spent!



My retail background gave me the insight that 90% of all purchase decisions in grocery are still made at the shelf, and vitamin shelves were almost hopelessly confusing with jumbled displays and prices all over the map. Inspired by how spices are merchandised in the UK, we designed the range to feature big letters and





color swatches for easy shopping, and we line-priced the whole VÖOST range so it was easier to shop. Putting it all together for the buyer presentations, I brought in a branded 3-foot-long box with a full shelf of VÖOST tubes on display inside, which wowed the buyers. The visual truly displayed what good could look like in their vitamin category.

We achieved distribution with clever category showmanship, but we won the market on providing customers the best/simplest product experience. VÖOST simply has the best tasting



Tom Siebel, VÖOST Managing Director

in-mouth experience in the entire category. We did massive sampling at events and won customers based on the product experience. Once we had critical mass, we managed to secure one of Australia's most high-profile sporting athletes, who embraced the performance, fun and quirky personality of the brand.

Fast forward to today and we hear every day how much people love our taste, mouthfeel and the experience of our product. That is probably what makes us most proud about our brand — customer delight. Our customer loyalty is three times higher than the vitamin category average.

### **Greg: What do you do to keep VÖOST top of mind with consumers?**

Tom: We are not resting on our success. VÖOST is now going to have strong presence on TV along with our successful social/digital advertising campaigns. What started as half a shelf is now up to a half or full bay at retail, and we are constantly innovating with 3 to 4 new SKUs every six months. This helps us keep expanding shelf space and brand presence while growing the category.

### **Greg: What prompted you to look for a global partner for VÖOST?**

Tom: I saw global opportunity for the brand well beyond Australia. With a #1 market position in Australia and a strong start in the UK, we had started pursuing international expansion. Pill fatigue is a common theme across most major markets around the world, and like in Australia, the category leader in other markets had not been innovative for years. Given the capital requirement to go global, we looked for a global partner to be able to realize that potential. We had a great brand with a proven category, marketing and merchandising strategy that was ready to plug into a bigger system, and that's how we positioned the company.



**Greg: How was your experience during the deal process?**

Tom: We met William Hood & Company through a referral and thought for our needs they were in a real sweet spot: global relationships, sophisticated advice but with a family feel and very personalized approach. It couldn't have had a better experience. Positioning the company was crucial, and they helped us absolutely nail it — capturing its personality and essence just right. We especially appreciated how they helped us manage our Board process at a time when we had to sort so many bids coming in from all over the world.

Absolutely the highlight for me was working with William, Jill and Peter. Peter was on duty 24 hours a day. William is such a straight shooter in his smooth English way. Jill is the coolest strategist, and her insight into the consumer just blew us away. It's worth noting that this entire deal was done 100% digitally — we never met any of the buyers or our bankers in person although we did get a Zoom-peek inside both William's and Jill's homes, which are both fabulous!

**Greg: You ended up with global CPG powerhouse Procter & Gamble. Tell us about VÖOST's bright future with P&G.**

Tom: Procter & Gamble is an ideal global partner for VÖOST. They have fallen in love with the brand, and they are already moving fast to bring it around the world. VÖOST will be fully integrated by the end of January, and they

retained the majority of our team. The power that they are putting behind VÖOST is so impressive. They are even adopting some of our practices inside their broader organization. For example, we had outsourced a lot of the marketing originally, but ultimately brought our content creators in-house so that they got to understand the soul of the business and our special personality. That's a model that P&G now wants to replicate. We think modern consumers can see through paid influencers, and our model is genuine (and highly efficient). It is so humbling knowing that when they put their muscle behind it, VÖOST will be a brand that outlives me.



*Procter&Gamble*

**Greg: Has spring fever hit Australia yet?**

Tom: More than you can easily imagine. We have been on strict lockdowns this winter, which feels like just existing more than living. We cannot wait to get back to enjoying the fantastic lifestyle we usually have here!

***"Procter & Gamble is an ideal global partner for VÖOST. They have fallen in love with the brand, and they are already moving fast to bring it around the world. ... The power they are putting behind VÖOST is just so impressive."***





## Pharmavite Embraces the Digital Age

We caught up with Pharmavite leaders Jeff Boutelle (CEO) and Tobe Cohen (EVP) for a, appropriately digital, conversation about the digital branding initiatives underway at Pharmavite.

**Greg: You are both nutrition industry veterans. How has that experience shaped your perspective on the opportunities at Pharmavite?**

Jeff: For me a defining moment was in the 2000s working in the food industry and doing tons of consumer research. Just how little people in America know about nutrition really stood out. Much of our diet is heavily processed and getting further and further from what nature intended, and this drives life-shortening conditions like obesity and diabetes. When Tobe and I worked together at Abbott Nutrition, we learned what nutrition can really do to improve health, and when I was leading Beech-Nut baby food, we recreated the entire brand around natural and organic. Bringing that experience to Pharmavite, which has an enormous platform for brand leadership, is making a big difference. It's a platform from which we can set the right example for the industry and take the high road in bringing to market the best that supplemental nutrition has to offer.

Tobe: I think my experience in the industry has shaped my thinking at Pharmavite in two important ways. First, in a market with such low barriers to entry the value of trust is a long-term asset. We take that trust very seriously in everything we do and choose not to do. One

example is apple cider vinegar, a hot trend right now. We've chosen to not participate because we can't see how taking half a bottle of gummies to get an efficacious dose of the apple cider vinegar makes any sense when the goal is good nutrition and weight loss. So, we chose not to participate in that trend, but we retained trust and credibility with consumers. Second, from my experience in B2B comes the ability to see broadly how the nutrition industry across the board approaches innovation. That was our inspiration for being disruptive and innovating at scale at Pharmavite, and it has led us to make significant investments to build a systematic innovation program and transform the company's thinking around innovation.



**Greg: Pharmavite's Nature Made® brand is already a clear market leader in the FDM channel and the #1 pharmacist-recommended brand. Why go beyond that?**

Tobe: At the end of the day, even though we are the market leader, we're just above 10% share of the VMS market in traditional market channels — an indication of how fragmented the market is. So as a scientifically focused organization that values quality, we see a lot of opportunity to grow and jobs to be done for consumers in health and wellness. We have a lot more to contribute to the field of nutrition, and consumers may expect to find these solutions in the Nature Made® brand and also other brands that may be relevant to their lives. Our overall objective is to bring science-based nutrition solutions to life for consumers, and we will use the Nature Made brand where it makes sense and also other brands as we evolve.



Jeff: For 50 years, Pharmavite has been largely synonymous with Nature Made and then broadened with the addition of Megafood® in 2014. We now have increased capabilities in science, consumer insight, marketing, sales, and especially in our newfound innovation capabilities. We care about making a broad impact on society through better nutrition, and leveraging capabilities that can apply across the spectrum of nutrition. We are becoming a multi-dimensional company in real time and making some bold moves. One of the boldest is in the area of innovation. Tobe and I have worked together in innovation in a number of different companies but here at Pharmavite we fuse consumer and science at the very outset of each initiative. We have developed a



Jeff Boutelle, Pharmavite CEO

dedicated and focused approach to innovation. At many other companies, innovation seems really far out and gets cut first when budgets get tight. At Pharmavite we protect innovation — it's how we are wired and a bold

part of our strategy.

**Greg: What are pharmaceutical leader Otsuka's bigger visions for the nutrition category?**

Jeff: Otsuka, the owner of Pharmavite, is a unique company. They have a genuine desire and commitment to improve people's health worldwide, and to meaningfully contribute to the communities and industries within which they operate. It's not just a slogan, but a genuine way of operating. Their portfolio of businesses around the world includes functional beverages, functional foods, plant-

based foods and of course VMS. Otsuka has high expectations for Pharmavite, given our leading brand position and innovation capabilities, and they support us strongly behind those expectations. It is also worth noting that Otsuka has a pharmaceutical heritage and an intense commitment to quality that flows through to Pharmavite and underpins our quality standards, the highest in the industry.

**Greg: Nurish by Nature Made® is your first big push into personalization and a digital brand you started from scratch. Why did you start that brand and how is it going?**

Tobe: We saw the trends around personalization about 10 years ago, before it was cool. With Nurish, we wanted to create a real-time learning laboratory around personalization. We chose to create and launch this new brand internally as the tip of the spear for becoming digitally forward. We chose personalization because it was complex AND digital and used the project to develop internal capabilities. To date, we have been very pleased with the progress of the business but maybe more importantly the learnings on how to build and scale a digital platform. Impressively, we completed the project and launched the business in less than a year.

Jeff: I gave the team a challenge to make this complex project in a whole new field happen in less than a year, and they did it. The business already has significant momentum, and we are learning and developing new capabilities at an impressive rate. By the way, I am an avid customer (Jeff holds up his personal Nurish program for the camera), so we are definitely in it for the long haul!

**Greg: EQUELLE™ is your hormone-free product for menopause symptom relief, also started from scratch with a strong digital component. Tell us about it.**





Tobe: We find women's health to be an intriguing space because it has been so underserved historically and the right supplement-based solutions can really help. Menopause relief is a natural fit. More than 90% of women who go through menopause do essentially nothing for relief, so we saw a big chance to bring something positive to their lives. Otsuka actually isolated and purified the S-equol molecule, which is the plant-based bioactive in EQUELLE™ and launched it in Japan to resounding commercial success. We started EQUELLE™ direct-to-consumer, because we knew that consumer behavior in menopause is characterized by trying things recommended by friends and family. As we built relationships with female consumers during our launch research, we found out that neither health care providers nor the menopausal women who were their patients were initiating the conversation. In that, we saw an opportunity to present a clinically validated natural supplement as a first line therapy and start the conversation.

**Greg: What does your recent acquisition of leading urinary health brand Uqora® bring Pharmavite?**

Tobe: As noted earlier, we see women's health as an underserved market. Specifically, in urinary tract infections ("UTIs"), antibiotics are commonly used, and there is legitimate concern about antibiotic resistance. In



Tobe Cohen, Pharmavite EVP

addition, there has not been much focus in health care on proactive urinary tract health, even though about 40% of UTI sufferers have issues with recurrence. Uqora has built

a fascinating business looking at both acute treatment and long-term management of the urinary tract. We love the team who is making it happen — they are just first rate across the board, and they are already adding depth to our digital talent pools as well as scale to our women's health platform.

Owning Uqora means that we can build on the great work they had done on the science front and build additional scientific evidence for their solutions. We can also help scale distribution of the Uqora brand.

Jeff: Uqora and Pharmavite is already a great marriage. The Uqora brand gives us added presence in a relevant market for us. The team has developed a unique approach to addressing a consumer need that we appreciate. Uqora brought a lot of good science and just awesome talent in their organization, and is a shining example of being close to their consumers — and in fact being their consumer. We're proud to have Uqora be a part of Pharmavite, and it is powerful to see how we're helping these women — it's a reminder of what's great about this business.

**Greg: How will Uqora help you fulfill your strategic objectives for the company?**

Jeff: With Pharmavite, we are taking a company that already has strong brands in retail channels and moving toward a digitally led growth strategy. For 50 years, we've been a brick-and-mortar brand company, not a digitally native startup like Uqora.

A big strategic objective for us is to be a more multi-dimensional company. Pharmavite is approaching \$2 billion in retail sales and the vast majority of that is in the Nature Made and Megafood brands. Our next \$2 billion is probably not going to come from Nature Made or MegaFood, it's likely to come from other areas where we have the ability and earn the



right to play. Uqora is a brand that fits within our strategy and takes us to a new space that is attractive and high growth (women's health). It's a digitally native company and as we strive to become digitally led, they are bringing strengths that the overall organization can learn from. That makes it exciting and fun.

**Greg: How was your experience during the deal process?**

Jeff: We are selective buyers, and the last big acquisition we did was Megafood — which was seven years ago. We had an eye on Uqora and admired both their positioning and their founders. The deal process exceeded my expectations at every level: We have a fantastic internal team, and they pursued the deal with focus and professionalism. We had phenomenal specialist bankers in William Hood & Company who brought valuable insight into both the people/cultural and transactional dynamics. The Uqora founders are wonderful people who were great to deal with, and our parent company Otsuka was highly supportive.

Two and a half months into the relationship, we have the exact opposite of buyer's remorse. The fit between the companies, people and culture couldn't be better.

Tobe: We don't do a lot of M&A and we are choiceful and strategic when we do. One of the keys was understanding cultural fit and where we had a shared vision with the Uqora founders. William Hood & Company was especially helpful in assessing this fit and the human side of this transaction, and that set the tone for both a successful process outcome but more importantly a

successful long-term collaboration with the acquired team.

**Greg: Anything else you would like to say about your digital brand strategy?**

Jeff: I would add that we have a bold and courageous entrepreneurial approach at Pharmavite now. Part of that will be bringing in digitally native talent, and getting those capabilities will drive our future growth. We embrace learning new things, even if it makes us uncomfortable sometimes. You can't get the shine without the friction. That philosophy applies to getting digital capabilities and also applies to the kinds of teams we are building at Pharmavite. I always say diverse teams are the best teams, and we've built in diversity, inclusion and belonging to our DNA at Pharmavite — and I believe that's one of the reasons we're going to win in the future.

That comes not as a social experiment or some kind of political correctness, but a genuine belief that diverse points of view lead to better outcomes for the business and ultimately for consumers. Change is exciting if you embrace it, and we are doing exactly that to build a Pharmavite for the next 50 years.





## Practice Makes Perfect – Our Firm Turns Four

An Interview with William Hood

While at Natural Products Expo East, we sat down at JG SkyHigh restaurant in Philadelphia to enjoy the 60<sup>th</sup> floor view and cast a reflective glance back at the first four years of William Hood & Company and, from our rooftop perch, peer forward into the future.

**Greg: You were already the top investment banker in the nutrition industry with a fabulous career. What drove you to start a new firm?**

William: When Jill Staib and I founded William Hood & Company four years ago, the idea was to create an investment bank as disruptive to our industry as the innovative companies we served in the Consumer and Living Well space were. Personally, we felt we were at the right intersection of life: young enough to have the energy to start and build something new and experienced enough that clients would trust us with the most important initiatives in the life cycle of their businesses.

On a personal note, I have always had an entrepreneurial spirit and admired, and in some respects envied, that in my clients. Even when I was working for other firms, I enjoyed building a franchise within those firms with its own focus and with its own culture to some degree.

At our firm today, that entrepreneurial spirit is reflected throughout in the way we operate — from our Office & Marketing Manager all the way up to each of our Managing Directors.

**Greg: It's been four years — how has the firm evolved?**

William: Looking at the firm today, I am absolutely thrilled with how our firm has evolved. We have accomplished more than we had hoped to at this stage of our development. We have established a brand in the marketplace that is associated with the characteristics that define us: true partnership with industry, long-term relationships with our clients, deep category expertise and knowledge, a bespoke approach to transactions, and advancing the overall interests of the sector with our sense of community, thought leadership and giving back. The market has rewarded our approach with strong revenue growth every year since inception, including through the challenges of the COVID-19 pandemic. We have helped our entrepreneurial clients find the right financial partners and buyers across the spectrum of venture capital, private equity and strategic buyers, and we have also advised some of the



Early Consumer Thought Leader Dinner in Conjunction with NCN NYC, 2018



largest global names in CPG complete acquisitions of on-trend companies that advance their strategies in this dynamic time.

**Greg: What kind of culture do you have at William Hood and Company?**

William: Of everything we have created over the past four years, building our team and defining our unique culture are what make me most proud. Our culture, spearheaded by Jill Staib, really does set us apart. We strive to cultivate a work environment that is collaborative, friendly and fun — very different from the one I grew up in, in traditional investment banking. We are committed to developing our team members not only as bankers but also as good citizens and ambassadors of the broader industry and community in which we operate.

People make the culture, and we look for teammates who we believe will embrace our vision and culture, who are not only top performers personally but also care about the development and wellbeing of their peers and teammates and who take an authentic interest in the projects they work on and about the consumer products industry as a whole.

**Greg: Speaking of people, who is on your team?**

William: When we founded the firm, one of the key differentiators was our different backgrounds and experience and how that could be brought to bear to assist our clients. Jill had spent over a decade in senior operating leadership roles at the Nature's Bounty Company, and I had two decades of experience as a specialist investment banker. We have continued that trend and looked for senior bankers with successful operating

careers in addition to successful finance careers. It is easier to teach banking than to take a banker and give them 10 years of operating experience. We have attracted some phenomenal people to our firm with this combination of experience. This has enabled us to build relationships with our clients based upon long term advice in building and growing their businesses, not just on the ultimate sale. It has the added benefit that when our clients are ready for the sale, we already know their businesses intimately. We don't charge for this ongoing advice, it is part of our philosophy in building long-term relationships.



Company Retreat, 2018

A great example is nutrition industry icon Greg Horn who joined us very early on, first as a senior advisor and now as a Partner in our firm leading our Ingredients and Functional Nutrition coverage areas. Greg has led as CEO some of the most successful companies in the category including both GNC Live Well and Garden of Life during rapid growth periods for those companies. He has also been the creator of a







The Team Grows: Offsite Business Planning, 2020

dozen or so entrepreneurial ventures in branded nutrition, including Attune Foods (sold to Post) and Celsius (now public with a \$5 billion market capitalization), and he is a best-selling author on topics of healthy living. Greg brings a well-rounded perspective and a career's worth of knowledge and relationships to every relationship and engagement. Our beauty practice area is led by Luc-Henry Rousselle, an experienced banker and finance executive who also has deep management experience. Luc-Henry spent five years in Corporate Development and Finance roles at Estée Lauder in addition to his investment banking experience at Moelis and Lehman Brothers in New York and London.

Our active lifestyle practice is led by Kevin McGee, a career specialist in banking companies that specialize in what you do with your body (outdoor, fitness, sporting goods, etc.). Kevin joined us from the leading banking practice in the space at a larger firm where he

still has strong partnerships and relationships that are serving us well.

This combination of backgrounds gives us a unique ability to serve our clients over the long term and help us position them most effectively for transactions.



### Greg: What are your practice areas and how do they hold together as a theme?

William: We like to say that our practice areas cover what you put in, what you put on, and what you do with your body with a focus on the Consumer and Living Well industries. The mega trend of healthier living is a common theme across all of our coverage areas of Nutrition, Food & Beverage, Beauty & Personal Care and Active Lifestyles. In addition, we are very engaged with two mega trends that transcend all our industry sectors, a demographic evolution towards younger generations like Millennials and Gen-Z, and a digital revolution, which together are rapidly changing the face of the Consumer Products Industry.

It is worth noting that while we have individual practice areas, we approach every assignment





as a team and bring to bear our full experience to every assignment.

**Greg: Tell me more about how you achieve “thought leadership.”**

William: We define thought leadership as sharing our knowledge and experience with the broader community, and it is a key differentiator of our firm. We devote a significant portion of our time and resources to crystallizing insights about our industry and elevating the category to broader audiences. We take high-profile speaking engagements at industry events, and we are a constant voice of the industry in mass media and on permitted and relevant social media. We conduct scores and scores of private briefings each year with entrepreneurs, capital providers and larger strategics all over the world. We are strong advocates for the industries we serve and the companies who are promoting positive change in those industries.

**Greg: What do the next four years hold for WHC?**

William: The Consumer and Living Well industries we serve are incredibly dynamic and exciting, and we will continue to grow with them by serving them with our differentiated approach. Our culture is very important to us, and so we will grow our team methodically and thoughtfully so as not to detract from our culture. To do this, we will continue to cultivate our early- and mid-level professionals so that they have the potential to be the next generation of leaders of our firm, as well as continue to seek out senior level hires with adjacent experience and relationships who would be a good fit. Given the global nature of our relationships, we will likely open another office or two, on the US West Coast and in London.



Expo West Presentation, 2019



# All the Right Ingredients

By Greg Horn

## Specialty Ingredients Market Characteristics

Specialty ingredients are a high-margin subset of the \$142B ingredients market that powers the global nutrition, food and beverage industry. Favorable shifts in consumer behavior, new food technologies and growing clinical evidence create strong demand while increasing focus on food safety and regulatory scrutiny create high barriers to entry and opportunities for companies to differentiate.

This highly diverse, fast-growing market is characterized by a fragmented set of companies, most of which have limited scale, ownership of crucial intellectual property that forms the basis of label claims and long-lasting customer relationships due to very high switching costs. Segments of particular interest within this dynamic marketplace include:

<b>Health Benefit Ingredients</b> Impart a clinically proven health benefit (VMS, etc.) <b>\$2.6B</b>   5.8% Market Size <sup>(1)</sup> YoY Growth	<b>Functional Ingredients</b> Preserve shelf life or physical product performance <b>\$2.8B</b>   3.7% Market Size <sup>(1)</sup> YoY Growth	<b>Botanical Ingredients</b> Plant-based material with health or flavor benefits <b>\$5.5B</b>   9.0% Market Size <sup>(1)</sup> YoY Growth	<b>Cultures &amp; Yeasts</b> Probiotic and yeast cultures for live foods or baking <b>\$6.8B</b>   5.2% Market Size <sup>(1)</sup> YoY Growth	<b>Personal Care Ingredients</b> Provide product performance or health benefits <b>\$11.6B</b>   5.9% Market Size <sup>(1)</sup> YoY Growth
<b>Specialty Lipids</b> Fats that provide performance or health benefits <b>\$8.2B</b>   8.2% Market Size <sup>(1)</sup> YoY Growth	<b>Plant-Based Proteins</b> Proteins from plants to replace animal sourced protein <b>\$13.2B</b>   10.0% Market Size <sup>(1)</sup> YoY Growth	<b>Natural Colors</b> Nature-sourced colors for food and beverage <b>\$2.0B</b>   8.4% Market Size <sup>(1)</sup> YoY Growth	<b>Sugar Reducers</b> Natural sweeteners and sugar reduction ingredients <b>\$3.0B</b>   6.1% Market Size <sup>(1)</sup> YoY Growth	<b>Flavors &amp; Fragrances</b> Natural flavors and fragrances for food and beverages <b>\$6.5B</b>   4.7% Market Size <sup>(1)</sup> YoY Growth

(1) Global market size (in billions) and growth, various sources

## Ingredient Companies Own the Brain

Professionals coming into the nutrition business from other fields like big CPG and Pharma are consistently surprised that most brands in the VMS space don't own their own intellectual property. At the current stage of development of the nutrition industry, almost all the intellectual property — in the form of safety data and filings, clinical data showing efficacy, sourcing, supply chain and manufacturing process know-how — is owned by the ingredient companies. "Owning the brain" allows ingredient companies to command outsized margins while maintaining delighted brand marketing customers who rely on them for the science that powers label claims.

## Proving It: Clinical Research Enables Label Claims

The entire nutrition industry is built upon label claims, and label claims are enabled by the clinical research supporting key ingredients. From infant formula to medical foods to vitamins-minerals-



supplements to functional foods and beverages, clinical research at the ingredient level powers the claims that power consumer adoption.

Consumer brands almost never do clinical research on their final products to prove benefit. Instead, they seek ingredients that already have clinical evidence of efficacy and simply include those ingredients in their products. Then they get on with the business of marketing. That leaves specialty ingredient companies with the valuable work of proving that what they are supplying brand companies actually works. They take on the risky and often thankless jobs of identifying ingredients that might work; sourcing them from around the world; testing them for safety and health benefit in cell; animal and human models; creating a manufacturing and supply chain at reasonable economics; funding the human clinical research required to enable label claims; and filing patent protection on the winners. It is upon this foundation that the nutrition industry is built.

## Trees vs Treehouses

There's almost nothing more fun than a treehouse, and when we see a great one we think of the thought, care and skill that went into its construction. In the nutrition industry, the brands we buy and use every day are the treehouses, and some are beautifully crafted in a way that deserves our attention.

Specialty ingredients are the tree. Once there is a treehouse built, the tree itself tends to get less attention. However, the tree is a crucial and integral part of the treehouse package, literally holding up the whole thing. The branded product treehouse could not exist without the claims enabled by the tree of specialty ingredients inside.



## Mainstreaming of Functional Nutrition

Functional nutrition found its initial home in the pill market of vitamins-minerals-supplements. Pills are the most concentrated and convenient delivery system for clinically relevant dosages of dietary supplements, and the continued dominance of this delivery form shows that the VMS consumer accepts capsules, tablets and softgels to deliver their supplements.

The potential for functional nutrition, however, goes way beyond pills as a delivery form. Celsius®, which I co-founded starting in 2003, was the first clinically backed functional beverage reflecting the mainstreaming of functional nutrition. More recently, companies like OLLY have popularized other more mainstream delivery forms such as gummy candies to deliver functional ingredients for specific health benefits. These early successes are just the tip of the spear as consumers desire health benefits from their everyday food and beverage items.





The opportunity to scale functional ingredients into these much larger markets is enormous, but there are hurdles to overcome. To be used in mainstream food and beverage forms, ingredients need to be Generally Recognized As Safe (GRAS) and have the mixability, dose, cost and flavor profiles acceptable for these forms. Expect to see a flurry of activity in the ingredients space to ready clinically validated ingredients for these more mainstream applications.

## The Coming Consolidation

Starting about 15 years ago, I led a successful specialist consulting practice advising some of the largest companies in the food, beverage and clinical nutrition industries on strategy. They were specifically interested in strategic entry into the VMS space, which they viewed as high potential but also too fragmented and lacking the critical mass in both brand awareness and strength of clinical data to be taken very seriously. Fast-forward a decade and a half and we see many of those same companies — Nestlé HealthScience, Danone, Unilever, Kerry, DSM, Reckitt-Benckiser, Bayer, etc. — making major moves into the specialty nutrition categories.

The specialty ingredients segment is right where branded VMS was 15 years ago: fragmented and largely without critical mass or enough brand awareness at the individual company level. In this industry, however, the ingredient companies own almost all of the intellectual property that matters, and that makes it inevitable that sophisticated consolidation strategies are on the near horizon.

For private equity, the decade-long head start creates a compelling investment thesis. Middle-market private equity was born to bridge smaller, privately held companies into the public markets, making a lot of money along the way. That's how Thomas Lee Partners made about \$900 million from their GNC investment in just a few years in the late 1980s when I was first starting my career there. That original size-based arbitrage thesis from the early days of private equity has become less compelling as the middle-market private equity field has attracted excessive amounts of capital chasing a limited number of desirable companies that fit that thesis. That overcrowding is causing the smartest private equity firms to pivot to sector specific strategy-based arbitrage, creating strategic platforms and folding in smaller acquisitions to create the critical mass and presence that larger public companies and public markets highly value.

Specialty ingredients is a perfect fit for this more sophisticated approach to private equity investing, with all the elements for success: a fragmented set of product offerings, lots of smaller companies lacking critical mass, ownership of intellectual property in the form of patents and clinical data supporting efficacy, sticky customer relationships, and often far-flung supply chains. Combined with the desire for major public company players in the space to pay premiums for assets with critical mass in the marketplace, this makes a compelling case for private equity to accelerate the coming consolidation.

***The specialty ingredients segment is right where branded VMS was 15 years ago: fragmented and largely without critical mass or enough brand awareness at the individual company level.***



# Playing Outside

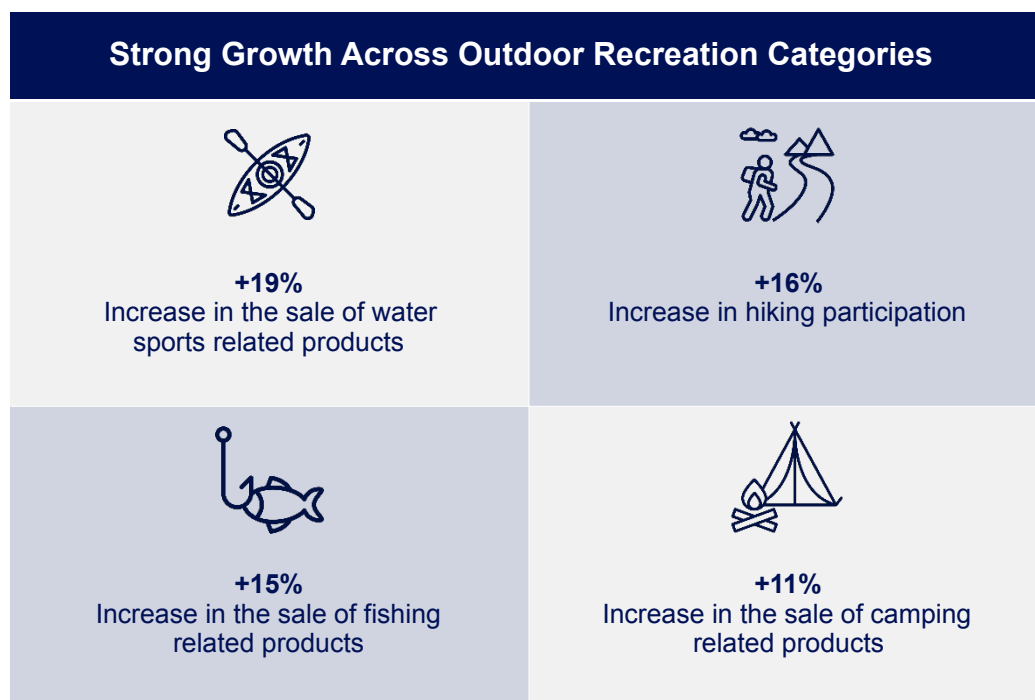
By Kevin McGee

Over the last 18 months, the Outdoor Recreation and Sporting Goods sectors have experienced significant change as suppliers, manufacturers and consumers had to adapt to a “new normal.” More than ever, an active lifestyle has become critical as consumers are focused on maintaining both physical and mental wellbeing. COVID-19 has spurred a commitment to health and fitness, which will play a key role in sustainable growth going forward for industry participants. Brands across the Outdoor Recreation and Sporting Goods sectors have a tremendous opportunity to capitalize on the trends that have occurred during the past year and a half.

## Unprecedented Growth in Outdoor Recreation

COVID-19 has been a boom for many in the Outdoor Recreation market. Consumers flocked to the outdoors and socially distant activities in 2020 and the first half of 2021, which fueled significant growth in several categories. Outdoor products, such as paddle boards, hiking boots, fishing gear, grills, coolers and tents have been some of the fastest growing categories in the consumer landscape. Meeting consumer demand was not without its challenges as brands were dealing with supply chain constraints and retail shutdowns for several months in 2020. To obtain goods, consumers moved online, so brands that had nimble supply chains and strong digital marketing, e-commerce and direct-to-consumer (DTC) strategies were able to capitalize on that shifting trend (e-commerce sales grew 22% in 2020 while in-store purchases fell 7% during the year).

Numerous corporate players benefited from the popularity of these outdoor activities and distribution trends. Publicly traded companies that participate in the Outdoor Recreation sector, including American Outdoor Brands (NasdaqGS: AOUT), Clarus Corporation (NasdaqGS: CLAR), Vista Outdoor (NYSE: VSTO) and Yeti Holdings (NYSE: YETI) have been posting record results and are flush with cash that is being used to reinvest in organic growth opportunities or to pursue strategic acquisitions.



## Continued Momentum from Leading Players in the Outdoor Recreation Market

*"Demand and passion for the YETI brand remained robust during the second quarter. Net sales surged 45% during the period, driven by strong direct-to-consumer performance ... significant year-over-year recoveries in channels such as wholesale that experienced outsized impacts during the pandemic, and a more than three-fold gain in our international business. This ... fueled 66% earnings per share growth for the quarter."*

– **Matt Reintjes**, CEO Yeti  
Q2-2021 Earnings Call Aug. 5, 2021

*"I am extremely pleased with our strong start to the new fiscal year. ... We believe that quarterly net sales growth of more than 20% over fiscal 2021, and nearly 83% over fiscal 2020, demonstrated the alignment of our brands with strong consumer trends in personal protection and the outdoor lifestyle activities we serve."*

– **Brian Murphy**, CEO American Outdoor Brands  
Q1-2022 Earnings Call Sept. 9, 2021

*"Fiscal year 2022 is off to a terrific start with our fourth consecutive quarter of record performance due to strong demand, great execution and a powerhouse line up of innovative outdoor products. ... We increased R&D investment by 17% to accelerate the pipeline of innovative gear in high demand as more consumers are recreating outdoors."*

– **Christopher Metz**, CEO Vista Outdoor  
Q1-2022 Earnings Call July 29, 2021

The public market has recognized the strong performance as all four companies have seen their stock prices double, or nearly double, over the past 12 months and have well exceeded market performance.

## Public Market Recognizing Stellar Performance



Source: S&P Capital IQ, as of 9/17/21





## Sporting Goods Trends – A Tale of Two Cities

According to Sports & Fitness Industry Association's 2021 State of the Industry report, the overall number of sports and fitness participants was higher in 2020 than it had been in the last six years. Some sporting activities have skyrocketed with double digit increases while others declined due to COVID-19 restrictions. Socially distanced sports activities, such as golf, tennis and biking, have seen significant growth over the past 18 months. The popularity of individual sports activities during the pandemic was fueled by a desire to remain active and healthy while being outdoors. For example, tennis participation increased 22% in 2020, golf rounds played increased 14% and biking participation grew 11%.



**+22%**

Increase in tennis participation



**+14%**

Increase in golf rounds played



**+11%**

Increase in biking participation

On the opposite end of the spectrum, consumer demand in team sports suffered during COVID as restrictions were placed on several K–12 and collegiate athletic programs. Individuals were able to return to team sports in 2021 with new safety protocols and guidelines in place, but the industry remains well below pre-pandemic levels. However, the industry is expected to bounce back as consumers feel safe returning to team sports. Importantly, collegiate and professional leagues are back playing in front of fans and are driving interest. Going forward, club and travel leagues are expected to drive growth and parents are motivated to provide kids with the opportunity to play sports after sitting out most of 2020 and parts of 2021. This is illustrated in a study by the Aspen Institute that indicated 73% of parents stated they are willing to spend the same or more on youth sports and associated costs.

Fortunately, the team sports market is led by well-known and well-capitalized brands that were able to withstand a challenging 18 months and position themselves for a strong comeback. While limited demand impacted top line performance, several brands spent significant time and resources on improving business fundamentals, including shoring up and improving supply chains, enhancing (or developing) direct-to-consumer e-commerce capabilities and expanding digital marketing strategies in order to increase communication with consumers. These initiatives will make these brands stronger as demand for their products returns.



## Well-Capitalized Team Sports Suppliers Expect Return to Growth



### Expectation for Outdoor Recreation and Sporting Goods Markets

Consumers have turned to the outdoors and fitness activities in record numbers during the course of COVID-19 — some for the first time and others for the first time in many years. New participants report a strong intent to continue their outdoor, sporting and fitness pursuits. According to a survey from the Outdoor Industry Association, more than 60% of participants that have started or resumed walking, hiking, fishing or running intend to continue going forward. This adds a significant number of participants engaging in outdoor and sporting activities. These new consumers, combined with the large number of existing users and expected return of team sports, create a significant opportunity for brands in the industry. Successful brands will communicate directly with consumers, engage them with compelling content and quality products and offer predictive, enjoyable shopping experiences.

### Looking Forward...

## BEAUTY CONNECT

Luc-Henry will join other experts to speak about M&A trends in the beauty & personal care industry at Beauty Connect, November 2–3, 2021 in Los Angeles.







## TRAVEL

We are back on the road and loving it. It's great to be able to see clients, friends and one another, live and in person again.



Celebrating a full return to the office in New York.



## BACK IN PERSON

Our operations are back to in-person, with the New York office humming and travel for speaking and schmoozing at industry thought-leadership events back in full swing.



Planning retreat at Jill's house in California.



Jill, William, Liz, Greg and Katie on the lawn at the NBJ Summit.



William and Jill interview Andy Hochman of RoundTable Healthcare Partners and Jeff Boutelle and Tobe Cohen of Pharmavite.



William participates in the State of the Industry Keynote Address.





## 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.



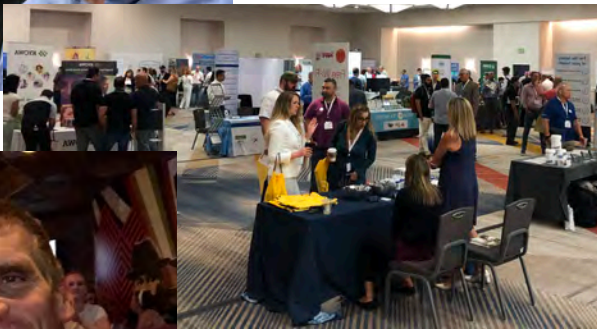
Enjoying a fall day with friends and colleagues at Supply Side East in New Jersey.



What's Up with SUPPS push-up contest at Supply Side East after-party.



Mike Bush, Brian Foster and Kim Merselis of Prenexus Health give Greg a tour of their plant in Phoenix.



Greg and Tom Aarts celebrating the return of live industry events, at the Supply Side Phoenix pop-up event.



Hosting a fun dinner on the 60<sup>th</sup> floor at Natural Products Expo East in Philadelphia.





**THOUGHTS?**  
*Please share them!*

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