

William Hood

GLOBAL CONSUMER & LIVING WELL
NEWSLETTER

OCTOBER 2020



TRENDS | TRANSACTIONS | TRANSCRIPTS | TRAVEL

FOR CLIENTS & FRIENDS OF THE FIRM

One of the founding principles of William Hood & Company is to act as an integral part of the fabric of the industries we serve. That's why we sponsor and actively support these worthwhile initiatives with our money, time and network:



Vitamin Angels is a non-profit whose mission is to help at-risk populations in need—specifically pregnant women, new mothers

and children under five—gain access to lifesaving and life changing vitamins and minerals. Essential nutrients enable young immune systems to fight infectious diseases, helping children attain good health and the opportunity to lead meaningful and productive lives. For example, a single dose of Vitamin A for a malnourished child can prevent a lifetime of blindness. If you ever needed proof that nutrition works, Vitamin Angels provides it every day to tens of thousands of children and pregnant women in the US and around the world. We sponsor this important organization, and Jill and William both serve on the Vitamin Angels board and take clients and friends into the field to aid those in need.



William & Jill with Vitamin Angels founder Howard Schiffer, somewhere in Africa.



Jill and Informa's Tara Burkley interview JEDI Collaborative's CEO Sheryl O'Laughlin for The Frontier.

The J.E.D.I Collaborative was founded in 2018 to address Justice, Equity, Diversity and Inclusion in the natural products industry. The purpose of J.E.D.I is to create a platform to enable companies to make commitments to address JEDI through tools and support. The platform includes commitments that are holistic in that they address consumer, company culture and community. William Hood & Company is proud to be an early adopter company supporting this cause, and Jill serves as an advisor to this initiative.



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TRENDS

We are living in a time of unprecedented change, as the COVID-19 pandemic sends shock waves through the world economy. Trends are both accelerating and being upended, with implications for many years to come. Health and wellness products are a bright spot as we live through interesting times.

Health and Nutrition Trends Continue Strong

Health and nutrition continue strong as the COVID-19 pandemic establishes new consumer priorities emphasizing health. Here are the top nutrition industry trends emerging so far in the post-COVID-19 world:



1	Health Is the New Top Consumer Priority	Proactive self-care has never been more important.
2	Food as Medicine	Healthy and functional food is a key to a healthy immune system.
3	Online Channel Accelerates	The move to e-commerce is happening at light speed.
4	Immune Boosting	Supplements and foods known to boost the immune system get a big boost.
5	Eating In	At-home meals are the only option under quarantine, creating the need for meal planning.
6	Seeking Functionality	Functional foods and beverages with a health benefit are growing.
7	Plants Rising	Plant-based and vegan foods sales are rising during the pandemic.
8	Voting Values	Consumers are voting their values with more sustainable food purchases.

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

Our hearts go out to the people whose health and employment have been impacted by the COVID-19 pandemic.



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TRAVEL

We are staying more productive than ever working from home offices with the occasional adventure to see clients and finalize transactions.

The Frontier – Exploring the Post-COVID-19 Consumer Landscape

After the initial lockdown, Jill and William ventured out to create **The Frontier**, an exploration of the post-COVID-19 Consumer Products landscape through the minds of the pioneers of the industry. Like all industries, the Consumer Products space is experiencing a massive shock wave as a result of COVID-19, and we created **The Frontier** video interview series to listen to and document for the broader community the perspectives from the field during this extraordinary time in history. We hope you will both enjoy and value **The Frontier**.

Links to all of **The Frontier** video interviews are available at
<https://williamhoodandcompany.com/frontier/>



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Announcing Liquid I.V. – Off to California!

We were fortunate to represent leading hydration brand Liquid I.V. in their successful sale to Unilever, our first deal to start, progress and close all during the pandemic.

Closing Jarrow – Back to LA!



It was a big September at William Hood & Company: We also represented longtime supplement leader Jarrow in their sale to visionary private equity firm New Mountain Capital.



NBJ Summit – A Virtual First

This year's Nutrition Business Journal Summit (NBJS) was a first in its 23-year history: Instead of crowding the bars, we elbowed up to our computer screens for a content-filled virtual gathering of industry thought leaders. William Hood & Company was the lead sponsor and very active in both helping to organize and providing content for the event.



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WHC Team Summit

With a couple of pandemic deal closings behind us, we gathered as a team for the first time since February, for a fun-filled and socially distanced retreat in Long Island's beautiful North Fork.



Fresh air and sunshine: We managed to enjoy being together while keeping our distance.



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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 June 2020–October 2020

- ZO Skin Health, a clinically backed skin care brand sold through the Professional channel, was acquired by Blackstone.
- Perricone, an anti-aging skincare brand, was purchased by The Hut Group, an international online retailer and technology company focused on beauty and wellness.
- Peak Rock Capital has acquired Halo Products, a manufacturer of better-for-you snack bars.
- Highlander Partners acquired Hilo Nutrition, a brand that sells pre-workout gummies.
- Traub Capital acquired a majority stake in Mana Products, a Long Island City-based contract manufacturer of beauty products.
- German pharmaceutical company Bayer acquired care/of, a DTC personalized vitamin company.
- Doggie Dailies, a supplement brand for dogs, has been acquired by the Morgan Stanley-backed pet platform, Manna Pro Products.
- WM Partners acquired collagen-based health product company Great Lakes Gelatin Products.
- Henkel acquired a 75% interest in Invincible Brands, a portfolio of three DTC brands: HelloBody, Banana Beauty and Mermaid-Me.
- Curiouser Products Inc.(d/b/a Mirror) was purchased by Lululemon for \$500 million, following an initial \$1 million equity investment last year.
- KKW Beauty received a \$200 million investment from COTY for a 20% equity stake, implying a \$1 billion valuation for the business.
- Natural skin care juggernaut Thayers, famous for its hero witch hazel product, was acquired by L'Oréal for \$400 million.
- Sundaily, a beauty-from-within brand, was acquired by Grove Collaborative, a leading digital-first brand and e-commerce platform for natural home and personal care products.
- Causeway Technologies, a California-based cosmetic contract manufacturer, is to acquire ColorProof, a hair care brand by hairstylist and serial entrepreneur Jim Markham.



- Natura & Co has acquired Avon Products, Inc., a landmark transaction creating the world's fourth-largest pure-play beauty company.
- Vital Proteins, America's top-selling collagen brand, has been acquired by Nestlé Health Science for an undisclosed amount.
- Beauty conglomerate PUIG has acquired Charlotte Tilbury, a cosmetic brand named after the British celebrity makeup artist.
- COTY divested its professional hair care business, including the Wella, Clairol, OPI and ghd brands, to KKR for \$4.3 billion.
- Hershey has divested culinary meat snack company Krave back to Sonoma Brands; Hershey initially bought Krave from Sonoma Brands in 2015 for \$219 million.

Highlight: Recent William Hood & Company Transactions



- Liquid I.V., the pioneer in premium lifestyle hydration products, was acquired by Unilever. Liquid I.V. will continue to be led by founding CEO Brandin Cohen under Unilever's ownership. William Hood & Company acted as Liquid I.V.'s exclusive advisor in the transaction.
- Jarrow Formulas, a pioneer in the supplement industry whose innovative product formulas stand for quality and efficacy, has been acquired by New Mountain Capital. Jarrow will serve as a platform company for New Mountain Capital's strategic entry into the nutrition space. William Hood & Company acted as Jarrow's exclusive advisor in the transaction.
- e.l.f. Cosmetics acquired the beauty brand W3LL PEOPLE for \$27 million, representing a 3.9x multiple on 2020E sales, to expand e.l.f.'s brand portfolio and break into the clean beauty space.





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 Tale of Two European Kings

By William Hood

There have been 20 major transactions in the vitamin, mineral and supplement (“VMS”) space since the start of 2017, ten completed by private equity firms and ten by large global strategic players. Of the ten strategic deals seven transactions have been completed by just two players, Nestlé and Unilever. These were no ordinary transactions, with most of them being very high-profile and on-trend deals such as Atrium (Garden of Life), OLLY, Persona, Vital Proteins and Liquid I.V.

Both Nestlé and Unilever are European companies (Swiss and British, respectively); both have US Health & Wellness strategies championed by dynamic and dare I say it “cool” European leaders, Greg Behar, CEO of Nestlé Health Science, and Peter ter Kulve, President of Unilever’s Homecare division; and neither company had interest in the category prior to 2016/17. In addition, both companies are approaching M&A differently to the historical Consumer Packaged Good (“CPG”)/Pharma play book of ripping out synergies on day one; they are leaving the businesses intact and letting the entrepreneurs and pre-acquisition leadership continue to run the businesses out of their original headquarters.

Nestlé and Unilever M&A Activity in the VMS Industry: 2017–2020

Nestlé

Unilever

December 2017: Atrium Innovations*	April 2019: OLLY*
June 2019: Persona*	September 2020: Liquid I.V.*
September 2019: Before Brands*	
June 2020: Vital Proteins	
August 2020: IM HealthScience	

*William Hood & Company transactions.

So who are these companies and what is driving their interest? The story of strategic M&A in the nutritional supplement category has really unfolded over the past decade. Prior to 2010 there was little interest from the global CPG giants. The old guard viewed the category as commoditized, driven by trade promotion, and questioned the claims made by most incumbents. In addition, they were hard pressed to identify real

brands of scale in the traditional CPG sense of the word. Around 2010 these perceptions began to evolve as the CPG giants recognized that the category was worth \$35 billion (in 2010; it’s \$50 billion today) and was growing 5-7% per year—much faster than many of their other business segments. They also began to see the emergence of some real brands with national mass market distribution and real brand awareness and equity. At the same time, advances in the science of nutrition resulted in a step-function improvement in claims validation for products in the category. These factors combined led to a flurry of activity over the next ten years as many of the global giants who did not play in the category prior to 2010 entered the category through acquisitions.



I was very fortunate to be right in the middle of this activity and involved in most of the landmark transactions, thereby helping to shape the industry. The first notable strategic transaction was the acquisition of Emergen-C by Pfizer in 2011. This was followed by Schiff's acquisition of Airborne and the subsequent public bidding war for the acquisition of Schiff by Bayer and Reckitt Benckiser (Reckitt prevailed at a price of \$1.45 billion. I advised on the transaction and gave the fairness opinion to the Board of Schiff stating that the multiple was the highest ever for a scale business in the VMS category). In this same time frame, Church & Dwight acquired Vitafusion and Lil' Critters, the pioneering brands of the gummy form founded by the Godfather of Gummies, Marty Rifkin, for \$650 million. This was followed by P&G's acquisition of New Chapter (also in 2012), Pharmavite's acquisition of MegaFood and Helen of Troy's acquisition of Healthy Directions in 2014, and Clorox's acquisition of ReNew Life for \$275 million in 2016. Since then, even J&J and Bayer, two of the remaining pharma giants playing in consumer health, have invested in the space with the acquisitions of Zarbees and Care Of, respectively.

Key Strategic Transactions in the VMS Industry: 2010 - 2016

Year	Acquirer	Target	Price
2012	* Schiff Nutrition	Digestive Advantage	\$40 million
2012	* Pfizer	Emergen-C	\$350 million
2012	* Schiff Nutrition	Airborne	\$150 million
2012	* Church & Dwight	Lil' Critters & Vitafusion	\$650 million
2012	* Reckitt Benckiser	Schiff Nutrition	\$1.4 billion
2012	P&G	New Chapter	\$120 million
2014	* Pharmavite	MegaFood	NA
2014	* Helen of Troy	Healthy Directions	\$195 million
2016	Clorox	ReNew Life	\$290 million

*William Hood led transactions.

Notably absent from this competitive activity were Nestlé and Unilever. It was not just that these companies had not prevailed in competitive auctions, in fact they were not even playing in those auctions. They had no interest in the category whatsoever. So, what is driving these companies' current interest in the space? Let us take a closer look at both companies and explore their interest in health & wellness and their recent transaction activity in the VMS category.

NESTLÉ



Formed in 1905, Nestlé S.A. is a Swiss multinational food and drink processing conglomerate corporation headquartered in Vevey, Vaud, Switzerland. It has been the largest food company in the world, measured by revenues and other metrics, since 2014.

Nestlé's products include baby food, medical food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods and snacks. Twenty-nine of Nestlé's brands have annual sales of over CHF1 billion (about USD \$1.1 billion).



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While Nestlé has always believed that nutrition and health are inherently linked, during the first decade of the 2000s, Health & Wellness appeared to become core to Nestlé's mission.

In 2011, Nestlé Health Science (NHSc) was formed and is now globally recognized as a leader in the field of nutritional science, committed to redefining the management of health. NHSc offers an extensive portfolio of science-based consumer health, medical nutrition and supplement brands.



NHSc is headquartered in Switzerland and has more than 5,000 employees around the world, with a presence in 66 countries. Approximately half of its business is dedicated to medical nutrition (products that are available only through healthcare providers), and half is dedicated to consumer care, or over-the-counter, nutritional solutions. NHSc covers the spectrum from newborns to the most senior citizens, from individuals looking to enhance their fitness performance to those that need extra special nutritional care due to illnesses.



The CEO of Nestlé Health Science is Greg Behar. Greg is also a member of the Nestlé Executive Board and a passionate believer in the power of nutrition to support health.

Greg joined NHSc in 2014 and has shaped the company to become a leader in nutrition and health by continuously searching for ways to improve the quality of life of customers and patients. His dedication to ensuring that they can enjoy their highest quality of life with their family and friends fuels his continual drive to provide high quality, science-based products.

With more than 20 years of international experience and roles in seven countries, Greg has brought a truly global approach to NHSc's vision. Prior to joining NHS, Greg was CEO of Boehringer Ingelheim Pharmaceuticals USA and also held a regional leadership position. He currently serves on the boards of Aimmune Therapeutics, Seres Therapeutics, Axcella Health (where our own Greg Horn was the first CEO), Cerecin and Prometheus Biosciences.

Greg earned an MBA from INSEAD, a MS in Engineering from the Institute of Technology of Switzerland (Ecole Polytechnique fédérale de Lausanne) and a BS in Mechanical Engineering from UCLA. In his own time Greg loves to swim, play sports and focus on his family.

The Transactions

On December 5th, 2017, Nestlé announced it had signed an agreement to acquire Atrium Innovations from European Private Equity Firm Permira for \$2.3 billion (William Hood & Company served as a financial advisor on the transaction, and our Greg Horn is coincidentally a former CEO of Atrium brand Garden of Life.) Atrium marketed the Garden of Life brand in the specialty and FDM retail channels, and Douglas Labs and Pure Encapsulations in the professional (medical) channel.



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Greg Behar said at the time: “We value Atrium’s history as a highly successful company and welcome its 1,400 employees to the Nestlé family. Their brands are a natural complement to our Consumer Care portfolio, which offers nutritional solutions in the areas of Healthy Aging, Healthy Growing, Gut Health and Obesity Care. Atrium’s portfolio will extend our product range with value-added solutions such as probiotics, plant-based protein nutrition, meal replacements and an extensive multivitamin line, enabling consumers to address their health and wellness goals. Atrium’s established brands are in attractive categories and have the potential for continued strong growth as part of Nestlé through category, channel and geographic expansion. It also represents additional offerings in the segment for non-GMO, organic and natural supplements, a fast-growing consumer trend, as well as a new sales channel.”

However, most interestingly, this was the first time a Western Food & Beverage company had acquired a business that manufactured and marketed tablets and pills. Historically, the Food & Beverage players had left pill manufacturing and marketing to the pharma companies, opting to stretch only as far as powders and bars for nutritional supplementation. And at the same time as acquiring Atrium Innovations, Nestlé divested its US confectionery business to Italian chocolate and candy maker Ferrero for an estimated \$2.8 billion. Nestlé’s American sweet treats include Nestlé Crunch, Butterfinger, Baby Ruth, Raisinets, Nips, Skinny Cow and Laffy Taffy. A healthy trade!



NHSc did not stay quiet for long and on August 22nd, 2019, announced its expansion into personalized nutrition with the acquisition of Persona, a leading DTC questionnaire and subscription-based personalized supplement business founded by Jason Brown (William Hood & Company served as exclusive financial advisor to Persona in the transaction).

Greg Behar said of this transaction: “Persona’s expertise in personalized nutrition brings a new dimension to the growing Nestlé Health Science portfolio. There’s increasing interest in personalization among consumers and with this acquisition, we will bring together the technology of Persona and the trusted Atrium Professional Brands’ vitamins and supplements.”



NHSc soon struck again announcing on September 26th, 2019, an investment in

Before Brands, specialists in early childhood allergy prevention. With a significant minority stake, NHSc has the exclusive licensing rights to Before Brands’ products outside the United States and also obtained an option to purchase all remaining equity in Before Brands in the future (William Hood & Company’s Greg Horn advised on the transaction and serves as a Director of Before Brands.)



Greg Horn with Greg Behar and Chris Viehbacher at the Before Brands closing dinner.



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Before Brands is the inventor of the SpoonfulOne™ line, the most advanced childhood nutritional products available to reduce food allergy development risk with 16 key allergens—more than 90% of foods associated with global food allergies and more than any other brand on the market. The core technology is based on research and intellectual property licensed from Stanford University, training the child's immune system through consistent feeding over months to years.

Greg Behar commented at the time: "This investment enhances our growing business with a new dimension: allergy prevention. The prevalence of food allergies among children is increasing, however, studies have shown that consistently exposing children at a very early age to a potential food allergen can reduce the development of an allergy to that food by up to 80 percent. It would be very difficult for parents to achieve this kind of consistent immune-system training to 16 different allergens on their own; SpoonfulOne™ is a convenient and natural solution that fits with the Nestlé Health Science mission of healthier lives through nutrition."



As if this wasn't enough activity in the space of 36 months, NHSc swung again with the announcement on June 10th, 2020, that it has entered into an agreement to acquire a majority stake in Vital Proteins, America's leading collagen brand and a lifestyle and wellness platform offering supplements, beverages and food products.

Greg Behar said of the transaction: "This is an exciting opportunity for Nestlé Health Science to enter a growing area of nutrition with a successful brand. Our companies share the belief that nothing is more important than health, and everything we do is focused on that belief. In combining our efforts to optimize health through nutrition, we can achieve even more to help our consumers live fuller, more vibrant lives."

Finally on August 18th, 2020, NHSc announced an agreement to acquire IM HealthScience, Pharma legend Fred Hassan's family owned portfolio of dietary management supplements including IBgard and FDgard for the dietary management of IBS (Irritable Bowel Syndrome) and FD (Functional Dyspepsia), respectively and Fiber Choice, a line of prebiotic fibers.



Fred Hassan said of the transaction: "Science, patents and meaningful differentiation have enabled our company to grow at several times faster than the market. IBgard, FDgard and Fiber Choice have become the number one recommended by gastroenterologists in their own segments and REMfresh is the number one sleep aid recommended by sleep specialists. The high repeat purchase rates of our four brands attest to the high patient satisfaction. We are glad that our brands have helped millions and now, under Nestlé Health Science's able hand, millions more will benefit around the world. We are confident that under the dynamic leadership of Greg Behar, our products will keep thriving and growing."

Five supplement transactions in three years, three young cutting edge businesses and two longer established legacy businesses. Will NHSc stop here? If I know Nestlé and the ambitious but incredibly thoughtful Greg Behar, I think not. Nestlé's goal is to become not only the largest Food & Beverage company in the world, but the largest Health & Wellness company in the world.



UNILEVER



Unilever was founded on 2nd, September 1929, by the merger of the Dutch margarine producer Margarine Unie and the British soapmaker Lever Brothers. During the second half of the 20th century, the company increasingly diversified from being a maker of products made of oils and fats and expanded its operations worldwide. It has made numerous corporate acquisitions, including Lipton (1971), Brooke Bond (1984), Chesebrough-Ponds (1987), Best Foods (2000), Ben & Jerry's (2000), Alberto-Culver (2010), Dollar Shave Club (2016) and Pukka Herbs (2017). In the 2010s, under the leadership of Paul Polman, the company gradually shifted its focus towards health and beauty brands and away from food brands showing slow growth.

In the 1890s, William Hesketh Lever, founder of Lever Brothers, wrote down his ideas for Sunlight Soap—his revolutionary new product that helped popularize cleanliness and hygiene in Victorian England. It was “to make cleanliness commonplace; to lessen work for women; to foster health and contribute to personal attractiveness, that life may be more enjoyable and rewarding for the people who use our products.” That sense of purpose and mission has always been part of Unilever’s culture. “In the 21st century, we’re still helping people to look good, feel good and get more out of life—and our purpose as a business is ‘making sustainable living commonplace.’”

Today, Unilever owns over 400 brands, with revenue in 2017 of 53.7 billion euros, and 13 brands with sales of over 1 billion euros. It is a dual-listed company consisting of Unilever N.V., based in Rotterdam, and Unilever plc, based in London. The two companies operate as a single business, with a common board of directors. However, on June 11th, 2020 Unilever announced it had reviewed its corporate structure and that the company will merge Unilever N.V. into Unilever PLC forming one holding company to be based in the UK. Unilever is organized into four main divisions—Foods, Refreshment (beverages and ice cream), Home Care and Beauty & Personal Care.

The champion of Unilever’s emerging Health & Wellness strategy is the current President of the Home Care Division, Peter ter Kulve. Peter is a confident and dynamic leader, seeking to ensure that Unilever keeps up with the rapidly evolving CPG market.



Peter joined Unilever in 1988 and has held various senior roles across Asia and Europe. Prior to his current role as President of Home Care, he had dual responsibility as Chief Digital and Growth Officer, in which he led the end-to-end digitalization of the company, and President of South East Asia and Australasia, one of Unilever’s largest and most profitable clusters.



In 2016, Peter was appointed as Chief Transformation Officer, leading Unilever's ambitious Connected 4 Growth programme, resulting in significant savings reinvested back into the business.

Prior to this, Peter was Chair and EVP of Unilever Benelux, in which he successfully grew the business across all areas of Unilever's portfolio. He has also held various roles across the ice cream business, including Global Head & EVP, and CEO of Wall's China.

Peter has a Master's degree in Business Economics from the Erasmus University of Rotterdam. He is married and has three children. He is passionate about all the latest technology and gadgets, including mastering his hoverboard skills.

The Transactions



On April 18th, 2019, Unilever made a surprising announcement—it had agreed to acquire OLLY, a premium US based wellbeing brand in the vitamins, minerals and supplements category (William Hood & Company served as exclusive financial advisor to OLLY in the transaction).

Based in San Francisco, California (US), OLLY Nutrition was co-founded in 2014 by Eric Ryan, who also

previously co-founded home and personal care products company method®. Established as a B Corp, OLLY Nutrition's mission is to make nutrition delightfully easy as it believes good health is the foundation of happiness. OLLY is known for its gummy vitamins and supplements and also sells protein powders and snack bars.



OLLY closing dinner celebration at the Museum of Ice Cream in San Francisco.

The then President of Unilever North America, Amanda Sourry said "We are delighted to welcome OLLY Nutrition to our portfolio of brands. OLLY is a strong, innovative brand in the fast-growing health and wellbeing space, and nicely complements our businesses in Beauty & Personal Care and Foods & Refreshment. OLLY's focus on making nutrition delightfully easy aligns closely with Unilever values and our continued commitment to improving people's wellbeing."

Interestingly, the press releases also stated: "OLLY will continue to be based in San Francisco and managed by Eric Ryan, who will assume the role of Chief Growth Officer, exploring further opportunities in the health and wellbeing area; and Gerry Chesser, current COO of OLLY, who will take on the role as CEO of OLLY."

Was OLLY a one-time experiment in acquiring a supplement business or part of a more committed strategy to building a platform?





The answer came just over a year later with Unilever announcing on September 1st, 2020, that it had signed an agreement to acquire Liquid I.V., a US-based health-science nutrition and wellness company (William Hood & Company served as exclusive financial advisor to Liquid I.V. in the transaction).

Based in El Segundo, California, Liquid I.V. was founded in 2012 by entrepreneur Brandin Cohen. Liquid I.V.'s electrolyte drink mixes utilize Cellular Transport Technology (CTT®), which enhances the rapid absorption of water and other key nutrients into the bloodstream, helping people feel better, faster. Based on the World Health Organization's guidelines for the clinically proven Oral Rehydration Solution (ORS), that prevents and treats dehydration, one serving of Liquid I.V. can provide up to 2–3 times the hydration of water alone. Liquid I.V. provides a 360-degree approach to wellness with a product range that includes Hydration, Energy and Sleep. Liquid I.V. is also non-GMO, vegan, gluten free, soy free and dairy free.

Fabian Garcia, President of Unilever North America, said at the time: "Liquid I.V. is an impressive and innovative brand in the fast-growing health, wellness and personal nutrition space. Liquid I.V. shares Unilever's purpose to improve people's health and wellbeing, as well as our ambition to create sustainable products that have a positive social impact. We are delighted to welcome Liquid I.V. to Unilever's portfolio of purpose-driven brands."

Again, the press release interestingly stated: "Liquid I.V. will continue to be based in El Segundo, California, and led by Brandin Cohen, who will remain as Chief Executive Officer and Founder."

Is this the end of the strategy for Unilever? That is unlikely. Both OLLY and Liquid I.V. are outperforming based upon publicly available consumption data, and both are very well positioned, with a younger consumer, for the future role of Health & Wellness in the CPG landscape. These deals likely served to whet the appetite of this European giant.

Conclusions

It is very interesting that it is two European kings who are playing a pivotal role in U.S. VMS M&A. However, these are global companies, and the US remains the world's largest and most advanced market for VMS products. It is clear from the transactions that this appetite is not purely about Health & Wellness, but it is also about changing demographics, evolving consumer preferences and meeting the consumer where they will shop today and where they will shop tomorrow. It will be very interesting to watch the M&A of these kings of Europe in the near and longer term, and to see if any of the US players decide to engage in a similar strategy.



Science and Innovation Driving Nutrition

By Greg Horn



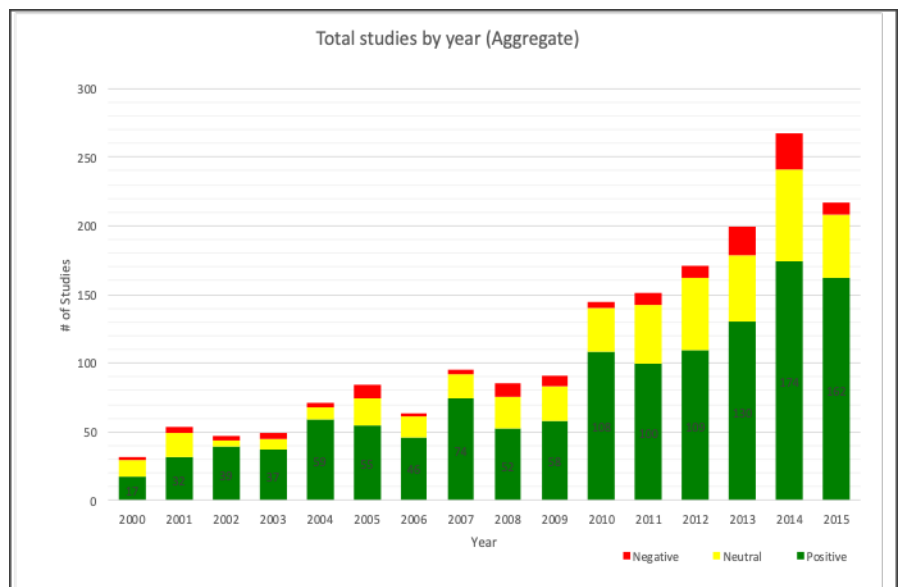
At this year's Nutrition Business Journal Summit, William Hood and Company's Greg Horn led an engaging half-day seminar on Smarter Science and Innovation in nutrition featuring speakers Ara Katz, CEO of Seed,; Asma Ishaq, CEO of Modere; Helene Rutledge, CEO of UPGRAID; and Dr. Wendy Sue Swanson, Chief Medical Officer of Before Brands.

Here is an extract of his opening comments for the session:

Smarter Science and Innovation

Scientific evidence is the bedrock of the nutrition industry success story, proving efficacy and enabling claims that drive product sales. Most importantly, scientific evidence establishes the basis for creating effective nutrition products that benefit consumer's health.

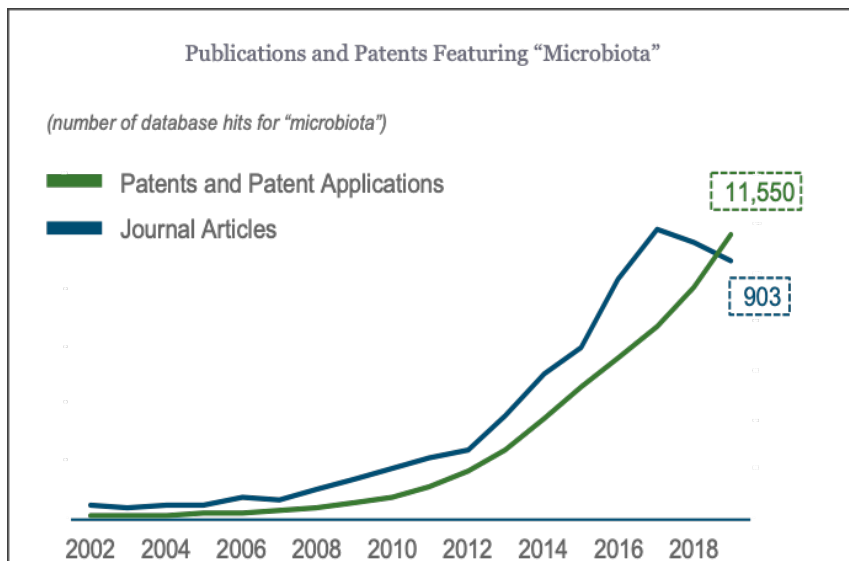
We are seeing a significant expansion of clinical evidence supporting nutrition. The table to the right shows the number of studies published that are specifically relevant to supporting nutrition product label claims by year since 2000, from our nutrition science research database. You can see a fivefold increase from 2000 to 2015, and the number is still growing. It's also worth noting that science is risky: The green shows positive outcomes from research, the yellow neutral or inconclusive studies and the red bar shows studies that actually yielded a negative outcome.



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The chart on the right shows how intellectual property protections, in this case patent filings, follow publications in journal articles (using gut microbiota as an example), growing from a few hundred journal citations and around a hundred patent applications in the early part of this century to almost a thousand patent applications and more than ten times that number of journal articles at present. And that's just for microbiome science! This growth in research and IP protection will fuel the effective nutrition category for years to come.



Bringing Nutrition Science to Market

So who is doing this research? Every now and then a company will do research on its own finished product, but the typical process for bringing science to market in the nutrition industry is led by the branded ingredient companies. It starts with the hard work of discovering, sourcing, patenting and doing the animal and human clinical research to validate safety and a benefit for human health. This heavy lifting is almost always done by the ingredient companies, on their specific ingredients, and it is the foundation of the nutrition industry. I have always admired the ingredient companies in this industry, because they do arguably the most valuable basic work for the lowest share of what the consumer eventually pays. The majority of nutrition brand marketers are entirely consumer focused, identifying market opportunities and then searching for contract manufacturers to put ingredients

into bottles for them. Everyone has a valuable place in this ecosystem, but it all starts with the ingredient provider proving their ingredient is safe and does something good for health. That's what they give to the brand marketers to put on their labels and in their advertising. And nutrition is much more than just pills, powders and gummies.

Bringing Nutrition Science to Market



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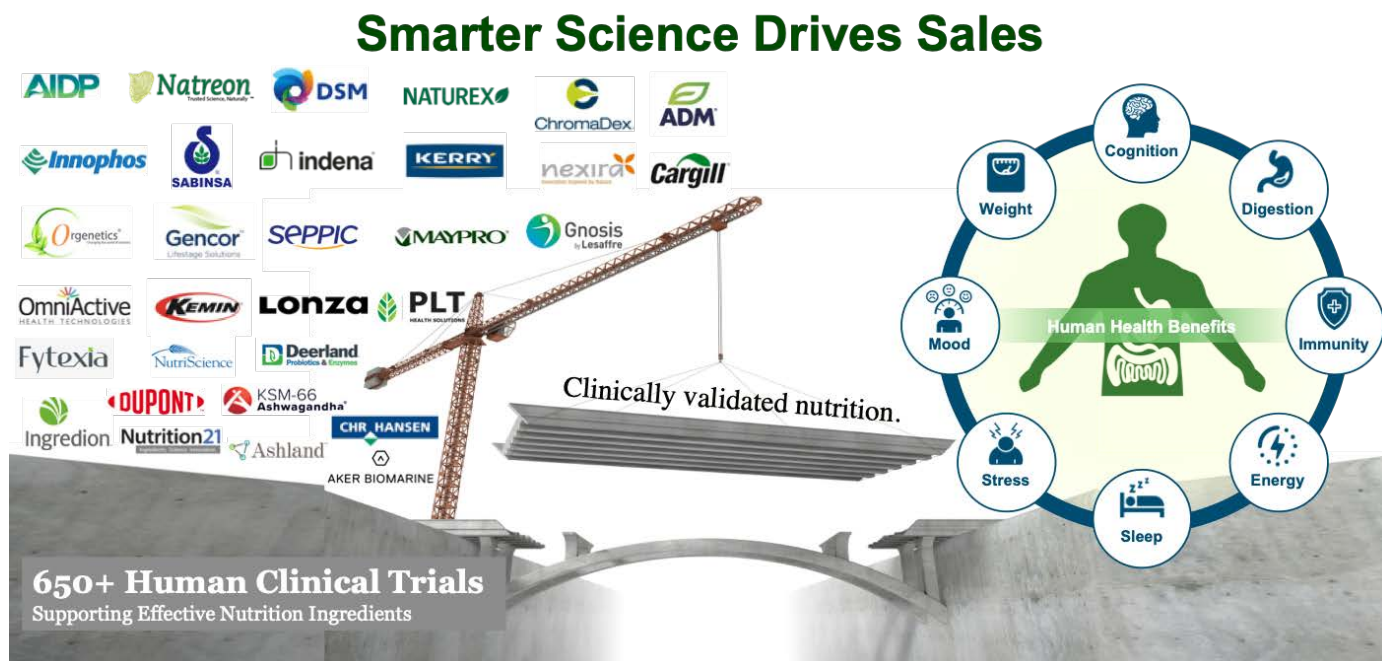
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We are seeing an explosion of interest amongst the food and beverage giants for mainstream foods and beverages with proven functional ingredients inside. Today for example, Whole Foods Market devotes four times the shelf space to probiotic beverages and foods than it does to probiotic supplements.

Smarter Science Drives Sales

Let's take a closer look at specifically who is doing the research today and what kinds of health benefits it is unlocking for consumers. On the graphic below, you can see the logos of a sampling of the ingredient companies doing clinical studies on their own ingredients to prove benefit—companies like Kerry, DSM, Natreon and AIDP. This is different from purely academic research or compilations of published research on generic materials—so-called “borrowed science.” This is clinical evidence development on specific materials that usually have a patent. Our research shows over 650 human clinical trials supporting effective nutrition ingredients. That's the bedrock of claims for the entire industry.



The success of the nutrition business is built on a foundation of clinical research that validates the impact that nutrition can have on human health.



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From The Frontier: An Interview with Zach Adelman, Founder of Navitas Organics

William and Jill sat down for a socially distanced interview with organic superfoods pioneer Zach Adelman. Here are some highlights:

William: Zach, do you know that the three of us have something in common? We all love to travel. Jill and I are fortunate. We get to travel all over the world with our business, and we get to go to some very interesting places with our nonprofit work. Tell us how your passion for travel led you to founding this wonderful brand, Navitas?

Zach: Yeah, I'm definitely a wanderlust at heart, as is my wife, and it was really that passion for travel and finding healthy food and plant-based foods along the way in our history. We were on our own personal journey of healthy eating and adventure. So Navitas was born to really combine those two things together serendipitously when a friend introduced me to Maca, and the business sort of grew from there. So, a lot of unknown circumstances created this great opportunity back in 2003 when we started Navitas.

William: That's fantastic. 2003, you really are one of the pioneers of the superfood category. What was it like in the early days?

Zach: For us, it was just opening up. There were some other brands in the space that got in a little before us all around the same time, and we just saw an opening there to really bring to the marketplace a broad assortment of superfoods and not be solely focused on one. Sourcing was a huge part of what we did and being steeped in organic. We wouldn't touch a product if it wasn't certified organic, and that's really the late '90s and early 2000s when the organic movement really started to take shape



and the natural products industry was becoming more organic-focused. Our timing was really great and people were starting to look for more plant-based foods. At the time it was a raw food movement that became superfoods, and now plant-based is really the terminology that's commonly used. We just think we had the timing right. We had the quality right. And once we got our branding right, it just all sort of came together.

Jill: Did you personally fly down to Latin America and meet with these local farmers?

Zach: Yes! We have been on quite some adventures down in Peru where we've source most of our products from the beginning, literally going all the way up to the top of the Andes for Maca, and then all the way down the other side of the jungle for cacao. And then everything in between: riding in some crazy car journeys, some strange airplanes. I was just joking with a friend of mine about a road trip through Peru when there was a bridge that wasn't able to hold cars, and they made a makeshift ferry for the car. So you could still walk across the bridge, but the car had to go across on homemade boats with planks of wood. They would drive a couple of cars on, then cross the river, two boats, stern-driven boats, trying to maneuver.



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I'll never forget the driver's eyes. He was terrified. I mean, I was terrified. It's been quite the journey and that's been a lot of the fun of it. It's not glorious travel, but it is worth it to ensure the quality of our products.

William: Did you always want to be an entrepreneur?

Zach: Yes, I was entrepreneurial from a young age. I'm originally from Canada. I had another business and that brought me down to LA. My wife, Megan, and I were already together at that point. And once we decided to move up from LA to Marin County and start something new, I was committed to starting another business on my own. I just felt I didn't have the right skillset and education to compete here in the Bay Area, and I knew what I could do on my own and went for it. It was not easy. Megan was pregnant with my son who's now bigger than me. He's 16 years old, so he was in the womb when the business was started. So classic entrepreneur, gambling man. No challenge is too fearful. The fact is, is that because the business was started in our kitchen, I've literally done every part, every job in the organization, from packing the product, quality control, accounting, receiving, shipping, everything. So there's nothing that's ever been beneath me, because I've done it all before. We're a very transparent organization and give people insights into the health and wellness of our business and have everybody really partake in the development of the brand, in the development of products, processes, what have you. But it's a real collaborative team effort from the top to bottom.

Jill: What do you think that COVID means for the wellness industry in the near term and in the longer term, in terms of business, in terms of consumer priorities and demands?

Zach: We're incredibly grateful to be selling

healthy, functional food. It's probably one of the brightest spots in our economy right now, certainly grocery as a whole. We're fortunate that we have great partners in brick and mortar retail as well as with the online retailers. The fact that we have all channels covered has meant that we've been able to be fairly successful through this in a time of crisis for the nation.

I think COVID has been a period of trial for many consumers who weren't prioritizing health the way they are now, and that trial is going to lead to conversion. We fundamentally believe there's going to be a higher base of health and wellness consumers on the other side of COVID and well into the future.

Jill: Was online always a big component of your business or was that a shift post the COVID initial pantry loading period?

Zach: Online is a big channel for us. Navitas was one of the early brands in Amazon Grocery. We have been on the Amazon platform for more than a dozen years. That's long enough to have seen sales rise to become a huge channel. Then all the Amazon control brands came in at a discount, and we had to figure out how to compete. We've been through that curve, and it's pretty extraordinary to basically double overnight. Their volume of purchasing went out of control for a three-to four-week period.

To keep up with that kind of growth, we're lucky that we had already transitioned into third-party logistics. We're lucky we have really good co-packers. We have a supply chain that we've worked on for 16, 17 years to keep it flowing. So we haven't had massive hiccups in our raw material and ingredient supply chain. We've had to address a few things that we haven't done in a while, which for us is like air freighting product in at a time when there's no flights. That was a new thing.



We used to have multiple flights a day out of Lima, Peru, to the United States. It was down to one flight a week, trying to find space on the plane was a new challenge.

Luckily, that was one or two ingredients, so I think those of us that have that experience and that supply chain built out and ready to sort of meet demand were able to succeed. We've, of course, had some hiccups along the way, but overall have managed the supply chain COVID challenges well.

Jill: What I love about your products is they can be incorporated into so many elements of a lifestyle.

Zach: And that's what we're seeing. We're seeing a blending of people's lifestyle with health and wellness now more than ever before. That's certainly what the younger demographics are looking for and it's more important than ever.

Living where we live and the industries that we work in, we're exposed to all this healthy food and we feel pretty good and feel like we could probably take this incredibly unpredictable virus on, but there's a lot of at-risk people out there, and if they can start making healthier choices and that becomes a little bit more of the norm, then I think we'll improve.

Jill: Sustainability is something that's very important to you personally, and it's also part of the mission of your brand, is that right?

Zach: Yes! We are committed to creating a healthier world through regenerative, organic farming practices and plant-focused lifestyles. It's literally what we're here to do.

It literally is healing the planet, like growing your own food, and there's nothing more rewarding than growing your own food. So that would probably be the first place to start. And if not, I encourage everybody to buy organic and support brands and companies that are pushing towards regenerative organic or using—traditional is what we've always called it—traditional organic farming practices. This is what's going to save the planet and heal it and keep us healthy and hopefully help reduce the likelihood of these pandemics coming back over and over again. There's no time like the present to talk about what's important and to not be afraid.

William: Zach, we're about out of time. Is there anything else you would like to communicate to our viewers and listeners today?

Zach: Stay safe, stay healthy, take really good care of yourself. Be kind to one another. This is a time to be kind I think to each other more than ever before. We're not out of the water yet, but, I mean, the United States is the most resilient nation ever, and ultimately I encourage people to think about how they take care of themselves and those around them and make wise decisions.

William: I love that, kindness. I love that word. Zach Adelman, thank you so much for chatting with us today.



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THOUGHTS?

Please share them!

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