

A rustic wooden table with a blue speckled plate of food, a small bowl of seeds, and a branch of white flowers. The plate contains a salad with green noodles, tomatoes, hard-boiled eggs, and a green salad with sesame seeds. A small bowl of seeds is next to it. A branch of white flowers is on the left. A knife is on the bottom left.

# William Hood

GLOBAL CONSUMER & LIVING WELL  
NEWSLETTER

JUNE 2019

TRENDS | TRANSACTIONS | TRANSCRIPTS | TRAVEL

FOR CLIENTS & FRIENDS OF THE FIRM





## TRENDS

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

## The Global Consumer & Living Well™ Space

The global Consumer & Living Well™ space encompasses a wide range of Consumer, Food & Retail segments with one thing in common: Helping consumers look and feel their best. Our definition includes business models up and down the supply chain such as brand marketers, contract manufacturers, ingredients suppliers, sales and marketing service providers and retailers. This is a dynamic area rich with innovative new approaches, technologies, products and brands, and especially rich with innovative companies making them available to consumers on a global scale. We define the Consumer & Living Well™ space across three larger categories and where they intersect with health & wellness and other current trends.

### Wellness, Nutrition & Fitness

- Vitamins, Minerals & Supplements  
(\$39.7B / \$115.1B)
- Active Nutrition (\$6.6B / \$12.4B)
- Clinical Nutrition (\$10.6B / \$51.0B)
- Digital Health (\$11.0B / \$30.4B)
- Gyms & Spas (\$51.3B / \$181.0B)

(US Market in \$B / Global Market in \$B)

### Beauty, Personal Care & OTC

- Skincare (\$20.1B / \$134.6B)
- Color Cosmetics (\$17.3B / \$69.6B)
- Haircare (\$13.1B / \$77.3B)
- Bath & Body (\$8.3B / \$41.0B)
- OTC Products (\$34.4B / \$115.0B)

### Food & Beverage

- Functional Food & Beverage  
(\$67.8B / \$249.8B)
- Foodtech (\$3.3B / \$21.5B)
- Pet Nutrition (\$28.8B / \$91.1B)
- Healthy Snacking (\$3.8B / \$23.1B)



### Total Consumer & Living Well™

\$316.1B US / \$1,212.2B Global

Note: Figures refer to 2018 U.S. and global market sizes, respectively  
Sources include: Euromonitor International, Global Market Insights,  
Grand View Research, MarketsandMarkets, Mordor Intelligence,  
Nielsen and Statista



**WILLIAM HOOD**  
& COMPANY

SERVING THE GLOBAL CONSUMER & LIVING WELL™ INDUSTRIES.



## VitaFoods Europe

This year's VitaFoods Europe was a calmer, more serious, business-oriented trade show, somewhere between Supply Side West and Expo West, with much less shouting inside and many more smokers outside.

Here are some key trends and observations:

**Vitafoods™  
Europe**



1	<b>Science First</b>	The tone was set with a clinical trial poster presentation exhibit at the entrance.
2	<b>Probiotics Galore</b>	So many probiotic suppliers, fewer next-gen/ microbiome approaches.
3	<b>Beauty Inside Out</b>	Feeding beauty from the inside out with nutrition.
4	<b>Health from the Sea</b>	A whole new ingredient toolbox from the ocean.
5	<b>Sleep is Exciting</b>	Research, ingredients and products to help get more ZZZs.
6	<b>Mental Nutrition</b>	New materials for feeding the brain to improve memory and focus.
7	<b>Collagen Crazy</b>	More new products featuring the parts of the animal we don't usually eat.
8	<b>Turmeric Takes Off</b>	New delivery forms with superior bioavailability for this ancient plant.
9	<b>Clean is King</b>	Clean label components from solvent-free materials to natural color capsules.
10	<b>MJ as Medicine</b>	Not as crazy as Expo West, but medical Mary Jane was featured prominently.

***We have analyzed these trends and the next-generation approach to each and are ready to share our point of view with clients.***



**WILLIAM HOOD** SERVING THE GLOBAL CONSUMER & LIVING WELL™ INDUSTRIES.  
& COMPANY



## Deep Dive: Probiotics Potential by Greg Horn

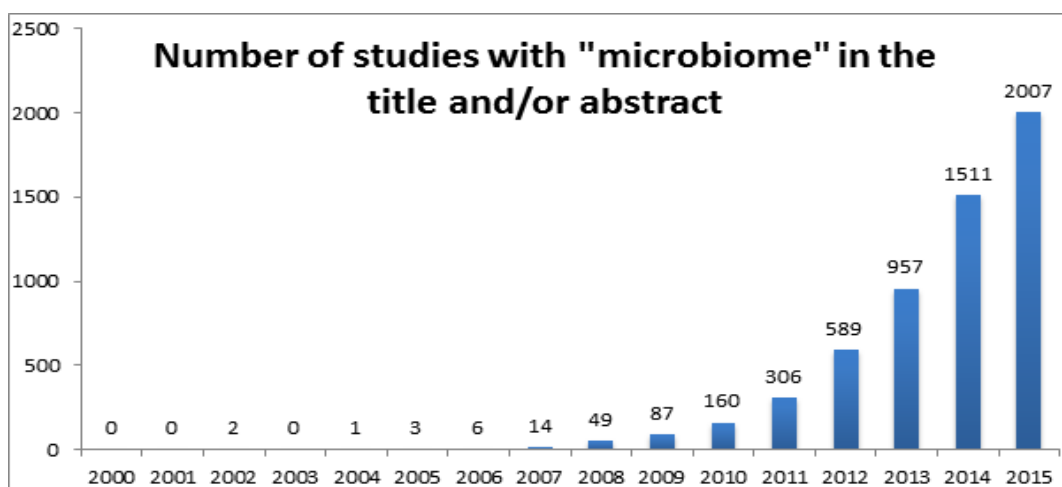
In the mid-90's, while music technology was transitioning from cassette tapes to CDs (at least in my car, which had both), I was on a quest to bring a higher level of nutrition technology to GNC products. I was captivated with the potential that probiotics had to improve a wide range of gut-connected health issues. Probiotics had potential, but concerned that the probiotic supplements we were selling at that time were not very effective. This was confirmed when we tested the products, which at that time were typically dosed at 100 million colony forming units (CFUs), a measure of live cell activity. Most fell short and few even had expiration dates. We raised our production, packaging and labeling standards to make and sell probiotic products that were at least active when consumers bought them. That was the start of effective probiotics as consumer products.

In the early 2000's at Attune Foods (now part of Post), we saw the potential for probiotics in

foods, and were the first company to put live probiotics in chocolate bars. Then at Garden of Life, we pioneered the potential of probiotics from the soil that stayed alive during processing and didn't all die if you left them in a hot car for a couple of hours. Now we were able to reliably offer much higher levels of probiotics that would be there when you took a bite or a pill. We were the first to put live probiotics into a soft food bar (Organic Living Foods Bars), another breakthrough in probiotics technology.

Fast forward (cue high pitched garbled cassette tape) to the present. Probiotics are in everything from juice drinks to cereal to chewing gum. The research has exploded, with 92% of all published studies in the field being done in the past 5 years as of 2015. Probiotics are popular because of their health promise: Gut health is connected to almost every other aspect of health.

***The research has exploded, with 92% of all published studies in the field being done in the past 5 years as of 2-15. Probiotics are popular because of their health promise: Gut health is connected to almost every other aspect of health.***



Source: BioSciencePHdForum.wordpress.com



***New strains of gut microbes are being discovered at a rate of thousands per year. In February 2019, for example, researchers in the UK discovered almost 2,000 new gut bacteria in just one new study.***

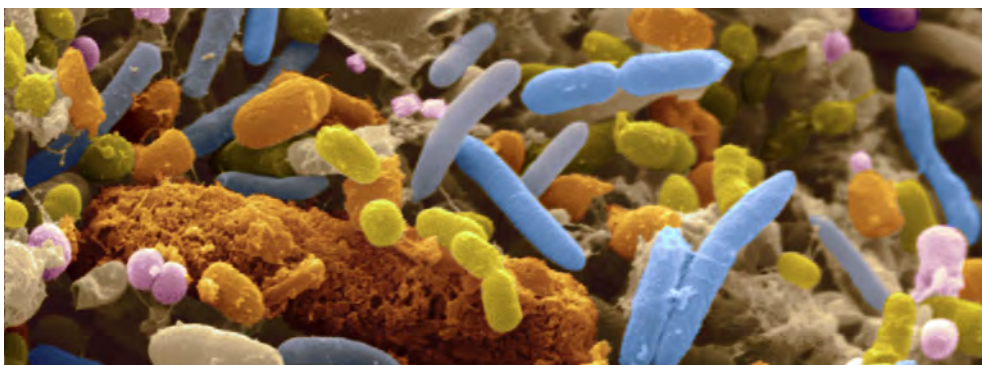
European Bioinformatics Institute (EMBL-EBI) and the Wellcome Sanger Institute February 2019

In most segments of the nutrition products supply chain, the raw material suppliers get squeezed and commoditized despite doing the heavy lifting with research that supports claims. The dynamic in the probiotics category is a different. Primary manufacturers of probiotics avoid the squeeze and make a nice profit. They deserve it, because making probiotics and keeping them alive requires very specialized knowledge of fermentation and microbiology, and specialized equipment to cultivate and ferment them at scale and keep them pure and high quality. Most primary manufacturers of probiotics are based in the US Midwest and Europe, where there are strong cheesemaking and brewing traditions and a robust pool of talent for growing beneficial microbes.

Like music technology, probiotics technology has come a long way since the cassette era. Dosages are now as high as 50-100 Billion CFUs, and they are generally alive when the consumer makes the purchase. Modern products feature multi-strain formulations: Mini-ecosystems that are designed to work together as a team.

Even with all of the advances, probiotics science is just starting to get good. We have a lot left to learn about how to optimize gut health with probiotics: What combinations are most effective? Are we giving enough (1-100 billion) to have a real impact in a 100 trillion cell gut microbiome ecosystem? Is more better, or is variety and synergy the key? How can you tell if the bugs are working? It's an exciting time in probiotics research, because we are early in answering all of these questions.

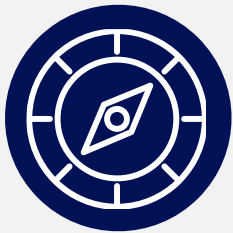
It turns out that probiotics don't work alone, and need a healthy working environment and good nutrition to do their best. Early approaches involved throwing 100 million live cells into the 100 trillion cell gut ecosystem and hoping for the best, but we are way past that now. Leading approaches involve keeping the entire gut ecosystem healthier and giving probiotics the food they need to thrive (called "prebiotics" because they feed probiotics), and measuring the results. This is the future of therapeutic approaches to unlock the potential of probiotics and the health benefits of the gut microbiome.



**WILLIAM HOOD** SERVING THE GLOBAL CONSUMER & LIVING WELL™ INDUSTRIES.  
& COMPANY







## TRAVEL

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



## AFRICA

William and Jill traveled to Uganda last summer, to see first hand the good work being done by Vitamin Angels. If you've ever had to answer skeptics about whether nutrition can really make a difference in health, here's your proof.

**TWO DOSES OF VITAMIN A IN INFANCY CAN PREVENT A LIFETIME OF BLINDNESS FOR MALNOURISHED CHILDREN.**



***To date, Vitamin Angels has helped 61 million children reach more of their developmental potential by escaping the common problems of vitamin deficiency, including stunted growth and blindness.***

Providing them with this vital nutrition first hand was life-changing for the kids, and life enhancing for Jill and William. In their downtime, William's Eton-level soccer skills were seriously challenged by some friendly barefoot Ugandan teenagers.



## NORTH AMERICA AND EUROPE

Greg has been visiting private and University labs from Harvard in the east to Stanford in the west to Utrecht in The Netherlands in a deep dive on the next generation of science to enhance and measure gut microbiome health. It's a fascinating field, with our knowledge of the gut microbiome and everything it is connected to (which is almost everything) expanding at a dizzying rate. Better measures of microbiome health, better insight into how colonies interact in the gut, better nutritional tools for enhancing ecosystem health (rather than just adding one or two strains and hoping for the best), better tests for gut health that are more actionable by the consumer, and better ways of precision delivery to specific sites are all on the horizon.



Luc-Henry was in Paris in April to meet with key players and investors in the beauty & personal care space. He also made a few trips to the West Coast and Chicago to attend Natural Products Expo West and meet with beauty & personal care brands and investors. Following all these business travels, he went to Iceland to get back in touch with nature, hike and observe whales and puffins. Luc-Henry is getting ready for Cosmoprof North America July 28-30 in Las Vegas.



**WILLIAM HOOD** *SERVING THE GLOBAL CONSUMER & LIVING WELL™ INDUSTRIES.*  
& COMPANY





## CHINA

Jill and William have made multiple trips to China over the past 24 months spending time with large enterprises, PE firms and entrepreneurs in the Consumer & Living Well™ markets. The Chinese middle class and millennial demographics continue to grow driving demand for local and foreign on-trend brands and products. This is creating a dynamic internal and out-bound investing and M&A market. Among other things, Jill and William ate sea cucumber soup, birds nest soup, chicken feet, chicken tongues and pig ears...



## LIVING WELL

Our first Corporate Offsite proved very successful with plenty of hiking, eating and our resident wine expert (William) hosting a tasting for the team. The experience uncorked a lot of wonderful conversation about team work, culture, client relationships and disrupting the traditional investment banking business model.



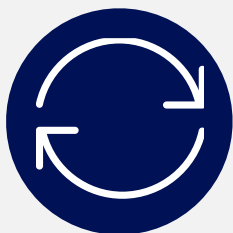
*And of course, we hit the slopes in Park City for some health and wellness category “strategic planning” this winter...*



**WILLIAM HOOD** & COMPANY SERVING THE GLOBAL CONSUMER & LIVING WELL™ INDUSTRIES.







## TRANSACTIONS

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

### Global Consumer & Living Well™ Transactions of Note

- Ritual, a subscription-based DTC model selling women's daily and prenatal vitamins, has raised \$25 million of Series B financing from Norwest Venture Partners, with participation from Forerunner Ventures and Founders Fund.
- Care/of, a DTC personalized nutrition Company selling vitamins and herbal supplements online, has raised \$29 million from investors including Goldman Sachs Group Inc.'s venture arm that values the company at \$156 million
- Wellness tech startup Noom has completed a \$58 million financing led by Sequoia Capital. Noom's behavioral change programs use mobile technology to help consumers and companies create healthier habits and reduce the risk of chronic health problems.
- Hims, DTC consumer health business known by many for its New York subway advertisements, has raised an additional \$100 million in venture capital funding on a pre-money valuation of \$1 billion.
- HUM Nutrition, a DTC personalized nutrition company focused on beauty from within has raised \$15 million from existing investors CircleUp, Imaginary Ventures, Strand Equity and new investor Sonoma Brands.
- The Hut Group has acquired Paris-based Christophe Robin, a manufacturer of haircare products, for \$65 million, implying a 3.8x revenue multiple.
- Ideavillage Products Corporation has divested its Finishing Touch and Flawless Brands to Church & Dwight for \$900 million, implying a revenue and EBITDA multiple of 5.0x and 16.4x, respectively.
- Solabia Group has acquired Israeli-based Algatech, a manufacturer of microalgae-based ingredients, for an undisclosed amount.
- Hain Celestial has divested its Tofu, Seitan, and Tempeh businesses of its WestSoy brand to Keystone Natural Holdings for an undisclosed amount.
- Oisix ra Daichi has acquired Massachusetts-based Purple Carrot, a plant-based meal kit delivery service, for \$30 million, implying a 0.7x revenue multiple.
- Tyson Ventures, the investment arm of Tyson Foods, has exited its investment in California-based Beyond Meat, a manufacturer of plant-based meat products, for an undisclosed amount.
- United Pet Supplements has acquired Canada-based RawPaw Natural Foods, a manufacturer of pet nutrition products, for an undisclosed amount.



- United Pet Supplements has acquired Canada-based Bonnie & Clyde Premium Pet Goods, a manufacturer of pet supplements, for an undisclosed amount representing a 1.3x revenue multiple.
- The af Jochnick family has offered to take Switzerland-based Oriflame Holding AG, a direct-selling cosmetics brand, private for nearly \$1.3 billion, implying a revenue and EBITDA multiple of 1.1x and 8.1x, respectively.
- Nestlé has divested its Skin Health Business to EQT Partners and the Abu Dhabi Investment Authority for \$10.1 billion, implying a 3.6x revenue multiple.
- LG Household Care has acquired the New York based North American operations of Avon Products, a direct selling company, for \$125 million.
- Merck has divested its Consumer Health Business to P&G for \$4.2 billion, implying a revenue and EBITDA multiple of 4.7x and 19.5x, respectively.

## Highlight: Recent William Hood and Company Client Transactions

Sellside	Sellside	Sellside
 <p>acquired by</p>  <p>2019</p>	 <p>a Subsidiary of</p>  <p>acquired by</p>  <p>2019</p>	 <p>a Subsidiary of</p>  <p>acquired by</p>  <p>2019</p>

- Unilever has acquired California-based **OLLY**, a manufacturer of multivitamins, protein powder and snack bars, for an undisclosed amount. The acquisition will allow OLLY to internationally scale its operations while providing Unilever with a Health & Wellness brand that is uniquely positioned within two of its key business segments: Beauty & Personal Care and Foods & Refreshments.
- International Vitamin Corporation ("IVC") has acquired South Carolina-based Nutra Manufacturing, a subsidiary of **GNC** which manufactures dietary supplements, for \$176 million. The joint venture will allow GNC to efficiently focus resources on product development and innovation while allowing IVC to deliver unmatched quality and cost savings through its manufacturing expertise.
- Viome has acquired California-based **Habit**, a portfolio company of Campbell Soup Company which offers a personalized nutrition service, for an undisclosed amount. The acquisition will allow Viome to gain additional insights into the human microbiome through Habit's scientifically-substantiated algorithms and provide a richer experience for consumers with more personalized recommendations.





## Why OLLY Matters, An Interview with Eric Ryan

This Sunday afternoon we caught up with Eric Ryan, Founder and CEO of OLLY, as he was racing down a California freeway with the top down, for a modern take on a quiet fireside chat:

**Greg: A decade or so ago, many viewed vitamins as a mature category with limited appeal to a younger generation because they did not like taking pills and everything had already been done. Then you came along. What enabled you to see fresh possibilities for this “mature” category?**

Eric: The model that I really like is to find big established categories where others are already making money, then re-frame it towards a cultural shift that is in process. Method followed that model, with incumbent brands for cleaning that just weren't that exciting. Vitamins was much the same, with the added benefit of commoditization based on rational sales approaches and heavy discounting as a result. So category maturity is actually a great fit for our model, and the fun part is matching it to cultural shifts that will make it exciting to consumers.

**Greg: Vitamins and supplements used to be perceived as for old people, but OLLY brought a whole new demographic to the category. What were the keys to unlocking this potential and bringing a whole new demographic into the category?**

Eric: We started by identifying and validating a culture shift, and for OLLY that was Millennials entering into health and wellness. Every generation has a different relationship to health. Millennials view health as an integral part of their lifestyle. We could see that in other areas for their lives, like fitness with SoulCycle, apparel with Lululemon – there are many examples. So the question is: How do you

make vitamins a part of their lifestyle? With that question in mind, we mapped out categories most relevant TODAY for Millennials and started building around those current needs states like Stress, Sleep, Beauty and Energy - always with an emphasis on the benefits.

**Greg: Why does the OLLY story matter?**

Eric: The OLLY story shows the real power of being highly focused on the target consumer. This was especially effective in vitamins, which is historically a promotionally driven category. OLLY shows the potential of connecting new people to brands that offer them relevant benefits. Most importantly, it shows that the category can be expanded, since almost all of OLLY's sales are incremental to the incumbent category.

**Greg: Fun names, functional benefits, and flavorful delivery systems got OLLY started, and now you have delicious bars and powders. Where does OLLY go from here?**

Eric: For one thing, OLLY goes global. That's a big part of why we decided to partner with Unilever – to expand beyond the US. We have a very strong innovation pipeline of products that will appeal to our customers. Most importantly, we have a brand that connects. Now it's time to scale the brand. Remember that OLLY has only been around 4 years, and only in broad distribution for 2 years. We are connecting with a generation that is new to the category while they are young. As long as we can we continue to delight them and stay relevant, there is a lot of room left to grow with them.

**Greg: What are your big takeaways from the OLLY experience so far?**

Eric: One big takeaway is the power of design



to help people lead healthier lives. OLLY brings a better user interface and a better experience to the category than vitamin consumers are used to, and that happened through really great design. Another takeaway is how important emotional engagement is in this category. Nutrition was always treated in a rational, scientific way, coming across as almost insecure about whether the product worked by emphasizing commodity ingredients and claims. OLLY is a brand that connects emotionally first, then delivers benefits, and we see that as having application to more than just vitamins.



**Greg: What attracted you to Unilever as a partner for taking OLLY to the next level?**

Eric: OLLY is still in the very early innings of developing this category. There is lots of opportunity to grow the brand and apply disciplines from more developed CPG categories to this one. We can learn about that from Unilever, who also has world-class distribution relationships in the global market, which will be important for OLLY's growth.

**Greg: You and most of the team have chosen to stay involved with OLLY as Unilever takes it into the next phase. Does that mean that selling can be a beginning?**

Eric: It sure does. A successful startup has many chapters in what should be a long book. We were on chapter 3 at OLLY, turning the page to chapter 4. The rest of the story has to be

written, and there will be a different board and capital structure in place but the entire team is staying on. We are even moving into a great new office at the original Ghirardelli Chocolate factory in San Francisco. It's an exciting new chapter and we are just getting started.

**Greg: You and your team built a \$100mm+ company in just four years from scratch. What's the most important advice you would give entrepreneurs in the Consumer & Living Well™ space?**

Eric: The advice I give entrepreneurs is to break the business plan down into a series of bite size steps, and de-risking each along the way before betting big with your money. Even at the very beginning, we had a disciplined business plan detailing exactly what we wanted to prove before we would invest in scaling. The ideal combination is a very disciplined business against a very creative vision. We built a team around the concept of "Artists and Operators" working together all throughout the organization, which let us have big imagination, but with operational efficiency. My strong advice to entrepreneurs is that you have to have both to be able to create and operate a new company.

**Greg: How did William Hood & Company help you during the deal process?**

Eric: They helped us in lots of ways. We had built relationships with a few investment banks since the start of the company, and the reason we chose William Hood & Company was that every time I was with them I walked away with deeper insights than when I met with anyone else. But the clincher was their deep operational knowledge of the category, which ultimately became very important in the deal process because they could bridge the gap between the nuances of the category and the bigger picture for potential partners.







## THOUGHTS?

*Please share them!*

Editor: Greg Horn

Managing Director and Senior Advisor

[GHorn@WilliamHoodandCompany.com](mailto:GHorn@WilliamHoodandCompany.com)

## Consumer & Living Well™ Team:

**William Hood** / Managing Director and Partner  
[whood@williamhoodandcompany.com](mailto:whood@williamhoodandcompany.com)

**Jill Staib** / Managing Director and Partner  
[jstaib@williamhoodandcompany.com](mailto:jstaib@williamhoodandcompany.com)

**Luc-Henry Rousselle** / Managing Director  
[lhrousselle@williamhoodandcompany.com](mailto:lhrousselle@williamhoodandcompany.com)

**Greg Horn** / Managing Director and Senior Advisor  
[ghorn@williamhoodandcompany.com](mailto:ghorn@williamhoodandcompany.com)



**WILLIAM HOOD**  
— & COMPANY

William Hood & Company, LLC  
555 Madison Avenue  
11th Floor  
New York, NY 10022  
Office: +1 212.365.5293

William Hood & Company, LLC is a U.S. registered broker-dealer and a member of FINRA

William Hood and Company's *Global Consumer & Living Well Newsletter* is newsletter that is offered to clients and friends of the Firm. The Newsletter is impersonal and does not provide individualized advice or recommendations for any specific reader of the Newsletter. Investing involves substantial risk. Neither the William Hood & Company, its directors, officers, members or employees, nor any of their respective affiliates make any guarantee or other promise as to any results that may be obtained from using the information within the Newsletter. While past performance may be analyzed in the Newsletter, past performance should not be considered indicative of future performance. No individual reading the Newsletter should make any investment decision without first consulting his or her own personal financial advisor and conducting his or her own research and due diligence, including carefully reviewing the prospectus and other public filings with respect to any potential investment opportunity. To the maximum extent permitted by law, William Hood & Company, its directors, officers, members and employees, and their respective affiliates disclaim any and all liability in the event any information, commentary, analysis, opinions, advice and/or recommendations in the Newsletter prove to be inaccurate, incomplete or unreliable, or result in any investment or other losses. The Newsletter's commentary, analysis, opinions, advice and/or recommendations represent the personal and subjective views of William Hood & Company and are subject to change at any time without notice. The information provided in the Newsletter is obtained from sources which William Hood & Company believes to be reliable. However, neither, William Hood & Company, its directors, officers, members, and employees, nor any of their respective affiliates guarantees the accuracy or completeness of any such information. The Newsletter is not a solicitation or offer to buy or sell any securities.