



▶ CONVERGENCE OF *WELLNESS* AND CONSUMER PRODUCTS



▶ TREND OR FAD?



▶ KEY TAKEAWAYS

NOVEMBER, 2021

Tully & Holland Topics and Trends

GOAL-ORIENTED ADVICE
INVESTMENT BANKING FOR CONSUMER COMPANIES

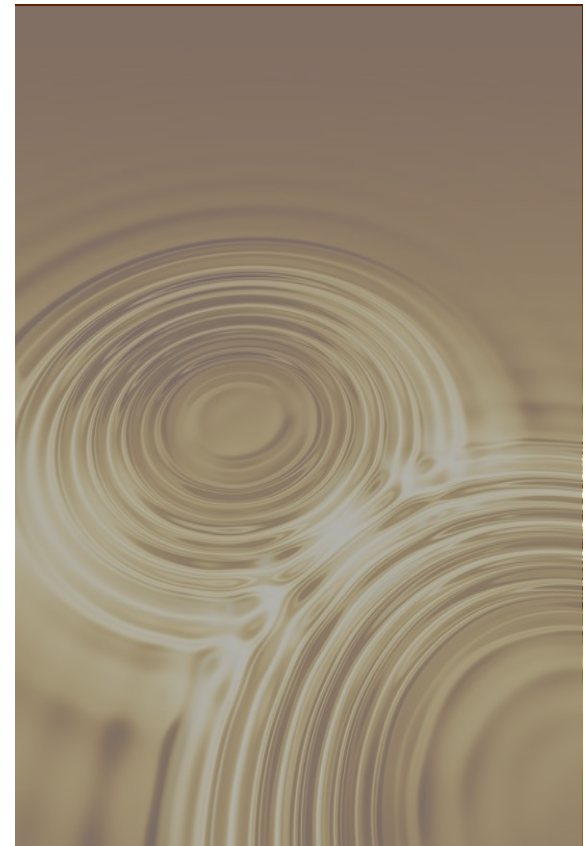
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Convergence of *Wellness* and Consumer Products

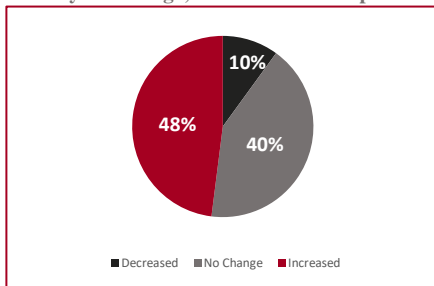
The idea of *wellness* is nothing new. That said, the permeation of *wellness* into the broader consumer space is becoming more prominent and accelerated, in large part due to the COVID-19 pandemic. McKinsey's 2020 *Future of Wellness* survey findings posit that consumers now view *wellness* across six dimensions: health, fitness, nutrition, appearance, sleep, and mindfulness. These dimensions span a variety of consumer industries and consumer behaviors, ranging from fresh produce and gyms to the more novel

industries of sleep technology and supplements.

Tully & Holland has observed an increasingly strong bias within M&A to companies that can display some direct link to *wellness* plays. Perhaps even more striking is how *wellness* is now pushing what were previously distinct industries, such as technology and health care, squarely into everything from supply chain transparency in food production to the improvement and tracking of sleep through smart tech in everyday home products.



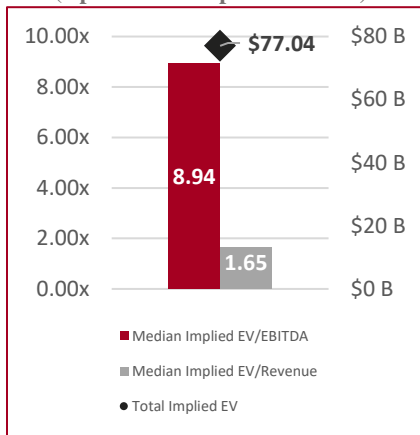
¹ Change in *wellness* prioritization compared to 2-3 years ago, % of respondents



TREND OR FAD?

While the durability of some of these trends is unclear, many appear as though they are here to stay. According to the same McKinsey report, nearly half of U.S. consumers have increased their *wellness* prioritization compared to 2-3 years ago¹. These trends can be seen most clearly in dietary supplements and skincare, where 21-41% and 21-36% of respondents, respectively, said that they would prefer a natural product over a more effective one, depending on geographic region. Indeed, we have seen a direct lift in multiples paid in M&A transactions for companies that have 100% organic products, and large resonance for stories that involve a marriage of natural and fairly sourced goods with natural and better for you outcomes.

M&A metrics among consumer companies with a wellness component (April 2020 – September 2021)



Key Takeaways & Market Activity

Wellness in the consumer products and services industries takes many forms. Whether it be a desire to eat local, sustainable, or organic, purchase fair-trade products, or improve physical and mental health, companies would be wise to explore strategies and capitalize on these trends.

Merger & Acquisition activity in the consumer sector has certainly benefited from the pandemic and its consequential acceleration of the wellness trend. Larger companies have taken to acquiring smaller, more wellness-minded entities to seize market share and scale successful businesses. Leading the way along such lines was Nestle’s (NSRGY) acquisition of nutritional supplements manufacturer The Bountiful Company for a mammoth \$5.75B. But such deals are not reserved for traditional consumer conglomerates. Fitness wearables, interactive exercise devices, vitamin and supplement manufacturers, and health food companies are being bought up by the likes of Alphabet

(GOOGL), Lululemon Athletica (LULU), Bayer (BAYN), and a host of private equity firms and SPACs. The total transaction value of consumer companies with a wellness component topped \$77B in the 18 months following the beginning of the pandemic, with median EV/EBITDA and EV/Revenue multiples of 8.94x and 1.65x, respectively. This highlights both strategic and financial acquirers’ confidence in the durability and importance of the convergence of wellness and the consumer sector.

While these public acquisition examples are headline worthy, their size is by no means a defining

factor for companies that touch upon this theme. At Tully & Holland we work with companies that range in Enterprise Value from \$10M-\$200M, and the trends described above are prevalent throughout our work. Indeed, just in the past 18 months, companies we have represented touch every aspect of wellness trends. Examples include a specialty and wholly organic coffee company, a contract manufacturer of vitamins and supplements, a non-alcoholic craft beer startup, a food distribution company with a farm to table fresh pro produce arm, a sleep technology company, and another specialty coffee company with direct and transparent sourcing relationships

with third-world farmers.

While perhaps early, we believe that the theme of Wellness within consumer products will be the driving focus of both demand and innovation in the sector for years to come; and will be as necessary for competitive positioning as the theme of Sustainability over the past decade. We would welcome the opportunity to discuss your potential interest in any of our current engagements or explore options for future transactions.

Tully & Holland – Trailing 12 Months Completed Transactions

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| Vermont Coffee Company has been acquired by Stonehill Kitchen Financial Advisor to Seller | David Del Curto has been acquired by Hancock Natural Resource Group Financial Advisor to Acquirer | Mariner Seafood LLC has been acquired by True North Seafood, Inc a part of Cooke Inc. Financial Advisor to Seller | Aqua Leisure Industries, Inc. has been acquired by Blackford Capital Financial Advisor to Seller | Rocket Innovations, Inc. has been acquired by Société BIC S.A. Financial Advisor to Seller |
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Tully & Holland – Live Engagements

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| Sell-Side: Leading Fresh Food Distributor | Sell-Side: Specialty Craft Coffee Company | Sell-Side: Category-Leading Sleep Technology Company | Sell-Side: Vitamin & Supplements Contract Manufacturer | Sell-Side: Clean-Label Branded Beverage Company | Sell-Side: Supplier/Virtual Manufacturer of Private Label Foods | Buy-Side: Food & Beverage Conglomerate |
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