



MARKET INSIGHT
SPORTS NUTRITION

INTRODUCTION – MARKET UPDATE AND M&A FOCUS

The sports nutrition landscape continues to evolve with changes across a number of areas, including demographics, consumer preferences/lifestyle choices, distribution channels/retail dynamics, and heightened regulatory awareness.

While the industry's origin is rooted in bodybuilding and strength training, we see more supplement companies adopting mainstream product positioning towards casual fitness/crossover athletes – of both genders and across a wide range of ages.

Following scrutiny in recent years, there remains elevated demand for products with ingredient transparency and science-supported benefits as customers – and the threat of regulators – hold companies accountable for what is in their products. Independent laboratory testing has become more common with third-party quality rankings readily accessible for free online.

Along the way, merger and acquisition activity has reflected these shifts and broadening demographics. As the market for sports nutrition products continues to expand, companies traditionally focused in healthcare (Abbott, Valeant), food (Hormel, Glanbia, Post, Kellogg's), and household products (Reckitt Benckiser, The Clorox Company) are leveraging their distribution/manufacturing infrastructure and scooping up supplement companies with broad market appeal.

Based on market research and conversations with consumer health executives, industry experts, and buyers of businesses in the supplements space, we highlight a handful of trends we see driving the industry as well as developments we expect will have impact on shaping the future of the sports nutrition category.

As an industry-focused advisor of sports nutrition companies seeking capital markets solutions, such as raising capital or exploring M&A opportunities, we provide value-added insight and transaction services to maximize client value. With principles similar to those found in the fitness industry, our firm has been trusted for nearly 20 years because of its discipline, transparency, and results.

Exclusively focused in healthcare, we have a deep track record of transaction success in sports nutrition, supplements, and over-the-counter consumer health capital raises and M&A. We hope this market snapshot is a helpful reference and please feel free to reach out with any questions or to discuss ways Bourne Partners may be able to add value to your company.

BOURNE PARTNERS

INDUSTRY TRENDS & GROWTH DRIVERS

There are a number of developments that have been shaping the sports nutrition industry and that may impact future positioning of supplement products:

FOCUS ON FEMALES

Females have become a key target market for a number of supplement companies. With less pinkwashing and positioning towards “skinny and sexy,” recent messaging has centered around emphasis on helping women become stronger, faster, and more powerful.

Source: *Who Takes Dietary Supplements?* CRN Consumer Survey, 2017

*79% of US adult women
(compared to 73% of men)
take supplements*

– CRN 2017 Consumer Survey

ALL NATURAL & ORGANIC

Focus on “clean living” extends to sourcing of ingredients for a growing number of supplement users. While there are different views on the impact/benefit, there is little argument that a market has emerged for more expensive, natural/organic products free of pesticides, additives, and binders/fillers.

Source: *Are Organic Supplements Actually Better?* Equinox (Furthermore), 2015

WAVE OF WEARBLES

Affluent, tech-savvy customers in developed markets are investing heavily in fitness. New data is being generated by fitness companions, such as smart watches, that measure heart rate, number of steps, calories burned, sleep time/quality, and other metrics that can improve health.

Source: *The Age of Analytics*, McKinsey & Company, 2016

“Wearable technology is expected to contribute to supplement sales growth, as consumers are now more interested in maintaining healthy lifestyles.”

– Cheryl Tay

Editor of *Nutra Ingredients*, William Reed Business Media

PERSONALIZATION

In order to fully optimize physical activity, the body needs to be supported properly with nutrition and productive exercise. As this approach has gained momentum and marketing support, one-sized-fits-all “boxed solutions” have given way to personalized supplement capsules and daily vitamin packs that fit an individual’s fitness goals.

Source: *Personalization: The Next Big Thing in Sports Nutrition*, Forbes, 2017

“Personalized nutrition [allows a consumer to] understand more about his or her body chemistry, and what type of supplements would be of most value to them”

– Erasmo Schutzer,

Senior Vice President of Consumer Health and Nutrition at Lonza

RECENT M&A AND CAPITAL RAISING SNAPSHOT

The past 15 months have been particularly busy for both M&A and capital raisings among sports nutrition, vitamins / minerals / supplements (VMS), and functional food bar companies given the strong economy/consumer spending, low cost of debt, and favorable corporate tax developments. Below are highlights of market activity with key takeaways.

RECENT MERGERS & ACQUISITIONS



21 companies were acquired by a variety of buyers across food (Glanbia, Kellogg's, Nestle), consumer products (Reckitt Benckiser, The Clorox Company), healthcare (Adare), and private equity (HGGC, Baymark Partners, Lion Capital). While nutraceutical companies acquired other complementary businesses, surprisingly, only one deal involved a sports nutrition company buying another supplements brand (Nutrabort's acquisition of Scivation).

RECENT CAPITAL RAISES



March 2018: \$103.0 million of equity funding



February 2018: \$2.0 million of debt, March 2017: \$3.3 million of debt



March 2017: Undisclosed amount of equity funding



March 2017: \$4.0 million of equity funding (common stock)



February 2017: \$6.6 million of equity funding (private investment in public entity)



February 2017: \$8.1 million of equity funding for 30% of company

In the recent low interest rate environment, a handful of companies in the space have taken advantage of the cheap cost of capital (sometimes tapping the capital markets for multiple financing rounds) through both equity and debt raises since 2017.

M&A AND CAPITAL RAISING DEAL TERMS

Below is a list of industry transactions with disclosed deal values. While larger acquisitions typically have the highest deal multiples given their scale, smaller companies have also been transacting at favorable valuations in the past year (median deal of 3.5 times revenue since 2017 compared to 2.3 times revenue for the full transaction set highlighted below).

TRANSACTION DETAILS – MERGERS & ACQUISITIONS

Announced Date	Company Acquired	Buyer	Enterprise Value (EV)	Last Twelve Months (LTM) Revenue	Last Twelve Months (LTM) EBITDA	EV / LTM Revenue	EV / LTM EBITDA
Mar-18	Nutanext	The Clorox Company	\$700.0	\$200.0	NA	3.5x	NA
Dec-17	Atrium Innovations	Nestle	\$2,300.0	\$700.0	NA	3.3x	NA
Nov-17	NutraGenesis	Innophos	\$28.0	\$12.0	NA	2.3x	NA
Oct-17	RXBar	Kellogg's	\$600.0	\$120.0	NA	5.0x	NA
May-17	Nutraceutical	HGGC	\$426.5	\$237.0	\$43.1	1.8x	9.9x
Mar-17	Reflex Nutrition	Associated British Foods	\$75.0	\$18.8	NA	4.0x	NA
Feb-17	Mead Johnson Nutrition	Reckitt Benckiser	\$17,872.2	\$3,723.4	\$1,009.7	4.8x	17.7x
Dec-16	BioGanix	Relevium Technologies	\$4.5	\$4.0	\$1.3	1.1x	3.4x
Aug-16	Vitaco	Primavera	\$267.2	\$157.2	\$17.0	1.7x	15.7x
Jun-16	Nutraceutix	Probi	\$107.5	\$35.8	\$8.6	3.0x	12.5x
May-16	ReNew Life Formulas	The Clorox Company	\$290.0	\$116.0	NA	2.5x	NA
Apr-16	BioZone	Flavor Producers	\$9.8	\$8.9	NA	1.1x	NA
Nov-15	thinkThin	Glanbia	\$217.0	\$83.5	NA	2.6x	NA
Sep-15	Swisse WellNess	BioTime Healthy	\$1,063.0	\$221.5	\$80.5	4.8x	13.2x
Jun-15	Sequel Natural	WhiteWave Foods	\$550.0	\$100.0	NA	5.5x	NA
Jun-15	Manitoba Harvest	White Road	\$106.5	\$35.5	\$5.1	3.0x	20.9x
May-15	iSatori	FitLife Brands	\$4.5	\$9.4	-\$1.9	0.5x	NM
Sep-14	Isopure	Glanbia	\$153.0	\$72.9	NA	2.1x	NA
Jun-14	CytoSport	Hormel	\$470.0	\$370.0	\$30.0	1.3x	15.7x
Dec-13	Dymatize	Post	\$397.5	\$195.0	\$31.0	2.0x	12.8x
Nov-13	Atrium Innovations	Pernira	\$966.0	\$483.0	\$92.9	2.0x	10.4x
Nov-13	BioZone	MusclePharm	\$17.4	\$12.4	NA	1.4x	NA
Nov-12	Schiff Nutrition	Reckitt Benckiser	\$14,535.3	\$2,907.1	\$435.2	5.0x	33.4x
Feb-12	Probiotica	Valeant	\$86.3	\$45.4	NA	1.9x	NA
Jun-11	Science in Sport	Provexis	\$13.0	\$7.6	NA	1.7x	NA
Mar-11	Active Nutrition	Bringwell	\$3.1	\$3.9	NA	0.8x	NA
Dec-10	Martek	DSM	\$1,024.1	\$445.3	\$123.4	2.3x	8.3x

\$ amounts in USD millions

NA - Not Available

NM - Not Meaningful

Median	\$267.2	\$100.0	\$31.0	2.3x	13.0x
Average	\$1,566.2	\$382.4	\$144.3	2.6x	14.5x

The capital markets have also been very active for companies raising equity or debt, with 9 of the below 23 deals taking place in the past year

TRANSACTION DETAILS – CAPITAL RAISES

Announced Date	Target	Investor	Investment Size	Notes
Mar-18	Ancient Nutrition	VMG Partners	\$103.0	Venture capital to innovate in new categories and expand probiotics business
Mar-18	Foodspring	b-to-v Partners	\$27.2	Venture capital for internationalization and expansion into food retail
Oct-17	MusclePharm	Amerop Products	\$18.0	Private investment of common shares to repurchase and retire promissory notes
Sep-17	Ritual	Insight Venture Partners	\$43.0	Venture capital to expand into additional US cities and double staff
Jun-17	Noho Health	RRE Ventures	\$13.9	Venture capital for investment in fulfillment system and data science capabilities
May-17	Bulletproof	CAVU Venture Partners	\$19.0	Venture capital for product launches and e-commerce/retail growth
Mar-17	Twinlab	Golisano	\$3.3	Growth equity in form of unsecured promissory note
Feb-17	Relevium	AIP Private Capital	\$6.6	Private investment in public entity in form of subscription receipts
Feb-17	Labrada Bodybuilding Nutrition	Kingdomway	\$8.1	Private investment for 30% of company
Oct-16	Elysium Health	Breyer Capital	\$20.0	Venture capital for expanding operations of advanced supplements business
Jul-16	Twinlab	Little Harbor	\$9.5	Growth equity for general corporate purposes of supplements business
Apr-16	BA Sports Nutrition	Dr. Pepper Snapple Group	\$6.0	Growth equity for sports drinks business
Oct-15	Twinlab	Golisano	\$24.8	Private investment in public entity for 30% of company
Aug-15	BA Sports Nutrition	Dr. Pepper Snapple Group	\$20.0	Venture capital for gain distribution and future growth of sports drink business
Jul-15	Bulletproof	Trinity Ventures	\$9.0	Venture capital for expansion of dietary supplements business
Nov-14	Twinlab	Penta Mezzanine Fund	\$10.0	Venture capital and warrants for working capital of supplements business
May-14	Foodspring	b-to-v Partners	\$6.6	Venture capital for expansion of fitness products business in European markets
Sep-13	Smartfish	Industrialfonden	\$11.9	Growth equity for R&D and international expansion of nutritional products business
Aug-13	Swisse WellNess	Goldman Sachs	\$63.7	Growth equity and warrants for global expansion of vitamins/supplements business
Jan-13	Bariatric Nutrition	CDPQ	\$12.9	Growth equity for nutrition and weight management products business
Feb-12	Fuse Science	Iroquois Capital Management	\$3.2	Senior convertible notes investment in energy replenishment products company
Jul-11	Atrium Innovations	Fonds de Solidarite	\$25.2	Convertible unsecured subordinated debt for science-based nutrition company
Feb-10	FRS	Oak Investment Partners	\$23.1	Equity for growth of dietary supplements business

\$ amounts in USD millions

OUR EXPERIENCE

Bourne Partners is an investment banking and private equity firm focused exclusively in the healthcare space covering vitamins / minerals / supplements, consumer health, and sports nutrition. We help companies execute M&A (selling their business or buying another) and raising capital to finance growth or recapitalize, taking some chips off the table by bringing in a value-added investor. Below is a snapshot of our recent industry deal experience:

FEATURED CASE STUDIES



M&A Advisors
Nutraceutical
supplement business



- YASOO Health Inc. is a science-based nutraceutical company
- Bourne Partners was engaged to identify a buyer and structure a deal that maximized shareholder value
- Many consumer health companies were interested, but Bourne Partners also emphasized to pharma companies the value that could be realized in selling the products alongside complementary prescription medications, which ultimately led to a deal at the highest transaction value

\$8,500,000

Bourne Partners served as M&A financial advisor to YASOO Health in its sale of AquADEKs® to Actavis

BOURNE PARTNERS

"We enjoyed working with the Bourne Partners team. They knew all the key contacts at the right companies and led a professional transaction process that resulted in a successful outcome for all parties involved." Gary Cantrell – CEO, YASOO Health



M&A Advisors
Consumer health
supplement business



- Nutrition and Fitness, Inc. develops, markets, and distributes branded nutritional supplements
- Bourne Partners was engaged to identify a buyer and structure a deal that maximized shareholder value
- Many "traditional buyers" did not offer a premium valuation so Bourne Partners tapped its network of other potential buyers that might not be ideal acquirers on paper but that could realize synergies/vertically integrate to transact a "full-value" deal

\$20,000,000

Bourne Partners served as M&A financial advisor to NFI in its sale (including the Blue-Emu® brand) to UPM Pharmaceuticals

BOURNE PARTNERS

"Bourne Partners managed the initiative of selling our privately held company. My partners and I credit Bourne Partners' reputation, professionalism, and industry contacts with the successful results of our transaction." Larry Chriscoe – CEO, NFI

OTHER SPORTS NUTRITION / SUPPLEMENT EXPERIENCE



Investors
Retailer of vitamins and
nutritional supplements



Strategic Advisors
Consumer health
products business



Strategic Advisors
Men's health supplement
and nutraceutical business



M&A Advisors
Consumer health and
supplement business



Investors
Manufacturer and distributor
of nutritional supplements



Since 1991, Bourne Partners has been a thought leader in the healthcare investment banking space. Our team is a trusted resource for clients and our track record of success includes raising over \$2 billion in equity and debt capital and executing more than \$5 billion in M&A transactions.

Please contact us to talk about ways we may be able to add value to your company's strategic priorities.



Robert Stanley, Vice President
– 10 years of investment banking experience
– B.S. Wake Forest University
– FINRA licensed

Direct: 704-714-8354
rstanley@bourne-partners.com

Bourne Partners
550 S Caldwell St, Suite 900
Charlotte, NC 28282

704-552-8407
www.bourne-partners.com

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