What We Are Seeing and Hearing in the Market

- The “Amazon Effect” continues to be a talking point in most conversations with industry executives, as the company’s presence expands within the retail marketplace

  - Amazon recently introduced its OWN PWR private label sports nutrition brand along with Amazon-exclusive brands Enraged Nutrition, Flexatarian, and P2N Peak Performance Nutrition (as well as Amfit in Europe)

  - While these products (ranging from multivitamins to pre-workouts to plant-based proteins) are fairly new to the marketplace and it’s a little early to draw conclusions on long-term customer purchasing trends, Amazon has a leg up on competitors with its access to consumer data – and that of the vendors that sell on its platform

  - One potential benefit to other players in the space is that Amazon’s private label brands possess high visibility on the website and therefore serve as a means to drive consumer traffic not only to the company’s own products, but also to other brands in the same category

  - CEO of bodybuilding.com, Jas Krkdzalic, envisions a bifurcation of winners and losers in the category, commenting that “Amazon has accelerated the path to either consolidation or exit strategies out of the space”

- Last year bodybuilding.com launched its own private label (some of the products had previously been offered and were “relaunched” through a coordinated marketing push)

- GNC (lost more than 95% of its market value in the past 4 years) and Vitamin Shoppe (lost roughly 90% of its market value in the past 6 years) continue to get squeezed as competition from superstores, warehouse retailers, and online merchants drain sales and profits

  - GNC has been prioritizing its international business which grew last year by 1.5% while Vitamin Shoppe is focusing on clearing out excess inventory, closing weaker stores, and promoting its expanding portfolio of – you guessed it! – private brands

Sources: NutraIngredientsUSA, BodyBuilding.com, S&P CapitalIQ
Market Dynamics & Developments

How big is the market and how is “sports nutrition” defined?

Sports nutrition is a large and growing market, with different definitions of what is included in the category leading to a range of published industry sizes and growth rates:

- For example, a December 2018 report from Research and Markets states “the global sports nutrition market size is expected to reach $24.4 billion by 2025, expanding at a CAGR of 9.7%”...

- ...while an April 2019 report from Energias Market Research states that “the global sports nutrition market is likely to generate a demand of $64.8 billion by 2025, at a CAGR of 8.6%”

How are market dynamics in the fastest-growing parts of the world?

The Asia Pacific region is poised to see the most accelerated growth in the sports nutrition category, with industry resources pointing to an expected CAGR ranging from 9%\(^{(1)}\) to 13%\(^{(2)}\)

Taiwan & South Korea
Market is still relatively niche and most brands come from multinational companies\(^{(3)}\)

China
Some local companies but products are generally similar to offerings from US and Australian brands that have greater consumer trust\(^{(3)}\)

Japan
A number of local sports nutrition companies – with focus on rehydration products and protein powders – but innovation lags behind global leaders\(^{(3)}\)

Australia
Well-established sports nutrition market that includes a wide range of local manufacturers and a lot of focus on cleaner supplements, but new product development falls behind that seen globally due to the size of the market\(^{(5)}\)

What is the next wave of innovation and leading growth in the category?

Pea is expected to be the fastest-growing raw material segment in the market over the next 5 years, based on a rise in demand for meat protein alternatives as well as these proteins being significant for consumers allergic to dairy and egg\(^{(4)}\)

Plant-based is expected to be the fastest-growing source segment in the market over the next 5 years, with rising preference among consumers for plant-based diets owing to increasing number of individuals turning vegan, vegetarian, or flexitarian\(^{(4)}\)

(1) Allied Market Research  (2) Research and Markets  (3) Lumina Intelligence  (4) Grand View Research
Other Industry Trends

Integration of Technology

- As technology develops, the fitness industry develops with it
- A few key developments over the last couple of years have included wearables and gadgets that allow people to track their workouts as well as track how their bodies are reacting to different fitness regimens, dietary restrictions, and supplements / nutritional products
- As technological developments continue to bleed into the industry, an opportunity develops for supplement and nutrition companies

> “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

Expanding User Base

- Over the last several years, there has been a broadening of the consumer base for sports nutrition and fitness companies to include an emphasis on women and to include the general health conscious consumer that may not be as directly focused on fitness and performance
- The expansion of the “health conscious” group opens up possibilities for product expansions and new marketing channels / strategies for supplement companies

> “In addition to traditional core users and casual users... the new type of users are lifestyle users... who invest heavily in fitness as a fundamental aspect of a healthy, high-performance lifestyle.”
> ~ Carolina Ordonez, Euromonitor International

Label and Ingredient Transparency

- A focus on “clean living” extends to sourcing of ingredients for a growing number of supplement users
- Users have taken focus on label transparency (i.e. being more conscious that what is on the product label is actually what is in the product) and on the use of natural / organic ingredients
- While there are different views on the benefits, there is little argument that a market has emerged for more expensive, natural / organic products

> “For [the average person], the concern [is] less about performance-enhancing steroids [or things of that nature]... [but] as consumers grow more adamant about labeling and transparency in general, its worth exploring why keeping the sports-supplement arena clean matters.”
> ~ Kimberly Decker, Nutritional Outlook

Personalization

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

> “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, SVP of Consumer Health and Nutrition at Lonza
The table below captures some key valuation measures for publicly-traded companies in the nutrition / supplement market as of April 2019. This information can provide a helpful snapshot of current valuation metrics, but it is important to keep in mind that these figures are for a range of companies with very different sizes, margins, and growth profiles.

**Valuation metrics for this set of publicly-traded nutrition / supplement companies are roughly 1-2 x sales and 8-10 x EBITDA**

**Source:** S&P CapitalIQ

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Equity Value</th>
<th>Net Debt</th>
<th>Enterprise Value</th>
<th>Last Twelve Months</th>
<th>Margin Analysis</th>
<th>Enterprise Value /</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinlab</td>
<td>OTCPK:TLCC</td>
<td>$160.3</td>
<td>$75.8</td>
<td>$236.1</td>
<td>$75.6 ($13.1)</td>
<td>17.7% NM</td>
<td>3.1 x NM</td>
<td></td>
</tr>
<tr>
<td>LifeVantage</td>
<td>NasdaqCM:LFVN</td>
<td>$195.9</td>
<td>($14.6)</td>
<td>$181.3</td>
<td>$218.4 $10.0</td>
<td>83.5% 4.6%</td>
<td>0.8 x 18.1 x</td>
<td></td>
</tr>
<tr>
<td>FitLife Brands</td>
<td>OTCPK:FTLF</td>
<td>$6.2</td>
<td>$0.2</td>
<td>$6.5</td>
<td>$17.1 $0.7</td>
<td>39.5% 4.2%</td>
<td>0.4 x 9.0 x</td>
<td></td>
</tr>
<tr>
<td>Science in Sport</td>
<td>AIM:SIS</td>
<td>$80.4</td>
<td>($10.2)</td>
<td>$70.2</td>
<td>$27.2 ($6.4)</td>
<td>56.1% NM</td>
<td>2.6 x NM</td>
<td></td>
</tr>
<tr>
<td>Enervit</td>
<td>BIT:ENV</td>
<td>$71.5</td>
<td>($1.4)</td>
<td>$70.1</td>
<td>$71.7 $8.0</td>
<td>74.2% 11.2%</td>
<td>1.0 x 8.8 x</td>
<td></td>
</tr>
<tr>
<td>USANA Health Sciences</td>
<td>NYSE:USNA</td>
<td>$1,973.5</td>
<td>($277.9)</td>
<td>$1,695.6</td>
<td>$1,189.2 $204.5</td>
<td>83.1% 17.2%</td>
<td>1.4 x 8.3 x</td>
<td></td>
</tr>
<tr>
<td>Mix1 Life</td>
<td>OTCPK:MIXX</td>
<td>$0.1</td>
<td>$6.3</td>
<td>$6.4</td>
<td>$0.9 ($3.7)</td>
<td>8.4% NM</td>
<td>6.9 x NM</td>
<td></td>
</tr>
<tr>
<td>Cyanotech</td>
<td>NasdaqCM:CYAN</td>
<td>$19.0</td>
<td>$6.5</td>
<td>$25.5</td>
<td>$32.2 ($0.4)</td>
<td>32.2% NM</td>
<td>0.8 x NM</td>
<td></td>
</tr>
<tr>
<td>Herbalife Nutrition</td>
<td>NYSE:HLF</td>
<td>$7,707.3</td>
<td>$1,254.9</td>
<td>$8,962.2</td>
<td>$4,891.8 $783.5</td>
<td>53.3% 16.0%</td>
<td>1.8 x 11.4 x</td>
<td></td>
</tr>
<tr>
<td>Mannatech</td>
<td>NasdaqGS:MTEX</td>
<td>$43.3</td>
<td>($20.1)</td>
<td>$23.2</td>
<td>$173.6 $3.3</td>
<td>80.1% 1.9%</td>
<td>0.1 x 7.0 x</td>
<td></td>
</tr>
<tr>
<td>Nature's Sunshine Products</td>
<td>NasdaqCM:NATR</td>
<td>$178.3</td>
<td>($49.1)</td>
<td>$129.2</td>
<td>$364.8 $17.6</td>
<td>73.8% 4.8%</td>
<td>0.4 x 7.4 x</td>
<td></td>
</tr>
</tbody>
</table>

**CapitolIQ, April 2019**

| Median | $80.4 ($1.4) | $70.2 | $75.6 | $3.3 | 56.1% | 4.8% | 1.0 x 8.8 x |
| Mean   | $948.7       | $88.2 | $1,036.9 | $642.0 | $91.3 | 58.4% | 8.6% | 1.8 x 10.0 x |
## M&A Transaction Comps

- This table highlights some of the most relevant M&A activity in the sports nutrition / supplements category for deals with publicly-disclosed valuation data points.

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>Target Description</th>
<th>Buyer</th>
<th>Enterprise Value</th>
<th>LTM Revenue</th>
<th>LTM EBITDA</th>
<th>EV / LTM Revenue</th>
<th>EV / LTM EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2018</td>
<td>Nutrisystem</td>
<td>Provides weight management products and services in the United States</td>
<td>Tivity Health</td>
<td>$1,340.7</td>
<td>$692.7</td>
<td>$88.4</td>
<td>1.9 x</td>
<td>15.2 x</td>
</tr>
<tr>
<td>Nov 2018</td>
<td>Sport-ph</td>
<td>Produces and sells sports nutrition products</td>
<td>Science in Sport</td>
<td>$40.8</td>
<td>$27.0</td>
<td>$3.6</td>
<td>1.5 x</td>
<td>NA</td>
</tr>
<tr>
<td>Oct 2018</td>
<td>Acenzia</td>
<td>Develops and manufactures supplements and natural health products</td>
<td>LiveWell Canada</td>
<td>$14.9</td>
<td>$4.2</td>
<td>NA</td>
<td>3.6 x</td>
<td>NA</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>NutraGenesis</td>
<td>Develops, packages, and markets nutritional products and dietary supplements</td>
<td>The Clorox Compar</td>
<td>$700.0</td>
<td>$200.0</td>
<td>NA</td>
<td>3.5 x</td>
<td>NA</td>
</tr>
<tr>
<td>Nov 2017</td>
<td>Nutranext</td>
<td>Provides weight management products and services in the United States</td>
<td>Tivity Health</td>
<td>$1,340.7</td>
<td>$692.7</td>
<td>$88.4</td>
<td>1.9 x</td>
<td>15.2 x</td>
</tr>
<tr>
<td>Oct 2017</td>
<td>Rx Bar</td>
<td>Manufactures and sells protein bars made with all-natural ingredients</td>
<td>Kellogg’s</td>
<td>$600.0</td>
<td>$120.0</td>
<td>NA</td>
<td>5.0 x</td>
<td>NA</td>
</tr>
<tr>
<td>May 2017</td>
<td>Nutraceutical International</td>
<td>Manufactures, markets, and distributes branded nutritional supplements</td>
<td>HGGC</td>
<td>$426.5</td>
<td>$237.0</td>
<td>$43.1</td>
<td>1.8 x</td>
<td>9.9 x</td>
</tr>
<tr>
<td>Mar 2017</td>
<td>Reflex Nutrition</td>
<td>Produces and sells sports supplements for men and women</td>
<td>Associated British</td>
<td>$75.0</td>
<td>$18.8</td>
<td>NA</td>
<td>4.0 x</td>
<td>NA</td>
</tr>
<tr>
<td>Aug 2016</td>
<td>Vitaco Health</td>
<td>Develops, manufactures, and distributes nutrition products</td>
<td>Primavera</td>
<td>$267.2</td>
<td>$157.2</td>
<td>$17.0</td>
<td>1.7 x</td>
<td>15.7 x</td>
</tr>
<tr>
<td>Nov 2015</td>
<td>thinkThin</td>
<td>Produces nutritious supplement snacks</td>
<td>Glanbia</td>
<td>$217.0</td>
<td>$83.5</td>
<td>NA</td>
<td>2.6 x</td>
<td>NA</td>
</tr>
<tr>
<td>Sep 2014</td>
<td>Isopure</td>
<td>Produces and sells nutritional supplement powders and drinks</td>
<td>Glanbia</td>
<td>$153.0</td>
<td>$72.9</td>
<td>NA</td>
<td>2.1 x</td>
<td>NA</td>
</tr>
<tr>
<td>Jun 2014</td>
<td>CytoSport</td>
<td>Produces sports nutrition products</td>
<td>Hormel</td>
<td>$470.0</td>
<td>$370.0</td>
<td>$30.0</td>
<td>1.3 x</td>
<td>15.7 x</td>
</tr>
<tr>
<td>Dec 2013</td>
<td>Dymatize</td>
<td>Manufactures sports nutrition supplements for athletes and fitness enthusiasts</td>
<td>Post</td>
<td>$195.0</td>
<td>$195.0</td>
<td>$31.0</td>
<td>1.0 x</td>
<td>6.3 x</td>
</tr>
</tbody>
</table>

*CapitalIQ, April 2019*

<table>
<thead>
<tr>
<th>Median</th>
<th>$217.0</th>
<th>$120.0</th>
<th>$30.5</th>
<th>2.1 x</th>
<th>13.2 x</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>$348.3</td>
<td>$168.5</td>
<td>$35.5</td>
<td>2.5 x</td>
<td>12.3 x</td>
</tr>
</tbody>
</table>

- As expected, these multiples are slightly higher than those shown on the previous page as M&A deals are generally executed at a premium to a company’s trading enterprise value.

  - Valuation metrics for this set of transaction comps are roughly **2-2.5 x sales and 12-13 x EBITDA**

*Source: S&P CapitalIQ*
Recapitalization Activity

- The table below highlights recent capital raises in the sports nutrition / dietary supplements / nutritional supplements category

**USD in millions**

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>Buyer</th>
<th>Investment Size</th>
<th>Capital Raise Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2019</td>
<td>Ritual</td>
<td>Norwest Venture Partners</td>
<td>$25.0</td>
<td>Venture capital (Series B) funding led by existing investor</td>
</tr>
<tr>
<td>Aug 2018</td>
<td>Noho Health</td>
<td>Goldman Sachs Asset Management</td>
<td>$29.0</td>
<td>Venture capital (Series B) funding round led by a new investor but including existing investors</td>
</tr>
<tr>
<td>Aug 2018</td>
<td>Herbalife Nutrition</td>
<td>Undisclosed</td>
<td>$400.0</td>
<td>Public offering of 7.25% Senior Notes due 2026</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>Ancient Nutrition</td>
<td>VMG Partners</td>
<td>$103.0</td>
<td>Venture capital to innovate in new categories and expand probiotics business</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>Foodspring</td>
<td>b-to-v Partners</td>
<td>$27.2</td>
<td>Venture capital for internationalization and expansion into food retail</td>
</tr>
<tr>
<td>Oct 2017</td>
<td>MusclePharm</td>
<td>Amerop Products</td>
<td>$13.0</td>
<td>Private investment of common shares to repurchase promissory notes</td>
</tr>
<tr>
<td>Jun 2017</td>
<td>Noho Health</td>
<td>RRE Ventures</td>
<td>$13.9</td>
<td>Venture capital for investment in fulfillment systems and data science capabilities</td>
</tr>
<tr>
<td>May 2017</td>
<td>Bulletproof</td>
<td>CAVU Venture Partners</td>
<td>$19.0</td>
<td>Venture capital for product launches and e-commerce/retail growth</td>
</tr>
<tr>
<td>Mar 2017</td>
<td>Twinlab</td>
<td>Golisano</td>
<td>$3.3</td>
<td>Debt in form of unsecured promissory notes</td>
</tr>
<tr>
<td>Feb 2017</td>
<td>Labrada Bodybuilding Nutrition</td>
<td>Kingdomway</td>
<td>$8.1</td>
<td>Private investment for 30% of the company</td>
</tr>
<tr>
<td>Oct 2016</td>
<td>Elysium Health</td>
<td>Breyer Capital</td>
<td>$20.0</td>
<td>Venture capital for expanding operations of advanced supplement business</td>
</tr>
<tr>
<td>Jul 2016</td>
<td>Twinlab</td>
<td>Little Harbor</td>
<td>$9.5</td>
<td>Growth equity for general corporate purposes of supplements business</td>
</tr>
<tr>
<td>Apr 2016</td>
<td>BA Sports Nutrition</td>
<td>Dr. Pepper Snapple Group</td>
<td>$6.0</td>
<td>Growth equity for sports drinks business</td>
</tr>
</tbody>
</table>

*CapitalIQ, April 2019*

- Sports nutrition private placements and public offerings have increased since 2014, reflecting the category’s steady growth and consistent outperformance of the broader market, as shown on the next slide

*Source: S&P CapitalIQ*

- As mentioned on the previous slide, an index of publicly-traded sports nutrition and supplement companies (same as trading comps listed out on slide 5) has meaningfully outperformed the S&P 500 since 2015, reflecting the industry's strong growth and attractive market dynamics.

- Valuations as a multiple of EBITDA have consistently climbed as well – particularly during the last 5 years – though more in line with the broader market compared to the equity chart above, only slightly outperforming the S&P 500.

Source: S&P CapitalIQ
However, publicly-traded sports nutrition and supplement companies have started to pull back so far in 2019, suggesting the industry may be slightly cooling and the market environment is favorable to explore a recap, locking in gains from the category’s recent boom of the last 5 years.

While only a three-month period, sports nutrition company valuations as a multiple of EBITDA have also been dropping year-to-date, another indication that the category may be leveling off.

Source: S&P CapitalIQ
About Us

- Bourne Partners is an investment banking firm focused exclusively on M&A and capital raising/recapitalization transactions involving pharma, pharma services, and consumer health/supplement companies.

- Within the consumer health/supplement space, we have been covering sports nutrition companies for a number of years, attending the Arnold and Olympia industry events, frequently having conversations with executive management teams and investors, and executing a number of successful strategic transactions.

- A snapshot of some supplement companies we have sold, invested in, or advised are shown to the bottom right, highlighting our experience in the space – with our firm's total deal sheet exceeding $6 billion in the last 5 years.

### Consumer Health / Supplement Deal Team

- **Jeremy Johnson, Managing Director**
  - 19 years of investment banking experience
  - B.S. Georgetown University
  - FINRA licensed
  - Phone: 704-714-8351
  - Email: jjohnson@bourne-partners.com

- **Robert Stanley, Vice President**
  - 11 years of investment banking experience
  - B.S. Wake Forest University
  - FINRA licensed
  - Phone: 704-714-8354
  - Email: rstanley@bourne-partners.com

- **Carson Riley, Analyst**
  - 1 year of investment banking experience
  - B.S. Centre College
  - M.S. Finance Vanderbilt University
  - FINRA licensed
  - Phone: 704-714-8369
  - Email: criley@bourne-partners.com

### Recent Consumer Health / Supplement Deal Experience

- **theVitamin Shoppe**
  - Investors
  - Retailer of vitamins and nutritional supplements

- **YASOO Health Inc.**
  - M&A Advisors
  - Nutraceutical supplement business

- **M&A Advisors**
  - M&A Advisors
  - Consumer health supplement business

- **NBTY**
  - M&A Advisors
  - Manufacturer and distributor of nutritional supplements

- **Premium Nutraceuticals, LLC**
  - Strategic Advisors
  - Men's health supplement and nutraceutical business

- **Fleet Laboratories**
  - Strategic Advisors
  - Consumer health products business

- **ProPhase Labs**
  - M&A Advisors
  - Consumer health products business

Over $6 billion in M&A and capital markets transactions since 2015.