



HOULIHAN LOKEY

Consumer, Food, and Retail Health and Wellness

MARKET UPDATE | COVID-19



Houlihan Lokey Health and Wellness Update

The outbreak of COVID-19 has resulted in a global health emergency elevating awareness of self-care and personal well-being among consumers; Houlihan Lokey is pleased to present an assessment of the impact on the health and wellness sector and implications for the industry's future outlook as informed by our **proprietary consumer survey**.

Sector Observations and Recent Activity

In recent weeks, COVID-19 has sent shock waves through global markets and captured the attention of the world. Since mid-February, the outbreak has accelerated and infections have become widespread, resulting in significant market volatility that is expected to continue in the near term.

The health and wellness sector has been a rare bright spot as consumers flocked to self-care and wellness products during the COVID-19 pandemic. But what are the implications in a post-COVID world, where discretionary spending may come into focus? Through our proprietary survey, Houlihan Lokey has identified several key trends that could be indicative of a “new normal” in consumer sentiment and buying behavior for the health and wellness sector.

- 1 Preventive Products Are Winning:** Surge in demand for consumer healthcare and preventive wellness products—particularly immunity—where zinc, vitamin C, and elderberry are trending at record levels.
- 2 The Fresh Face of Wellness:** Millennial and Gen Z age groups show the highest levels of concern for their own personal health, being significantly more likely than older generations to increase spend on health and wellness products as a result of the pandemic.
- 3 Flight to Quality:** Notable shift in consumer preference towards trusted brands, sourcing transparency, and especially product efficacy as households nationwide increasingly practice self-care.
- 4 E-Commerce Is King:** Acceleration of online purchasing is disproportionately benefiting wellness brands with strong e-commerce and DTC capabilities amid continued shelter-in-place restrictions.
- 5 New Consumers Emerge:** Daily routines will resume with an elevated sense of caution and awareness regarding one's health, leading to an influx of new consumers for health and wellness products long term.

The data presented in the pages that follow is derived from a proprietary Houlihan Lokey survey of 200 respondents across the United States, spanning age and gender demographics. The online questionnaire asked consumers about various topics, including consumption across consumer product categories during the pandemic, how they expect their consumption to change post pandemic, as well as what key product and brand attributes are important to them in this rapidly changing and uncertain environment.

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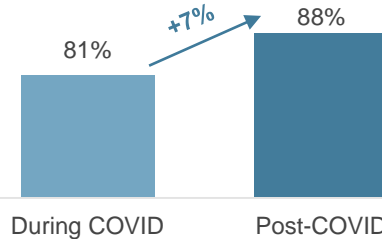
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Health and Wellness: Long-Term Impact of the COVID-19 Pandemic

The COVID-19 pandemic will have long-term repercussions on overall consumer behavior with positive implications for the health and wellness sector.

Consumers are overwhelmingly increasing spend on health and wellness during the pandemic, a trend that is expected to continue in a post-COVID-19 world.

Percent of consumers **increasing spend** on health and wellness

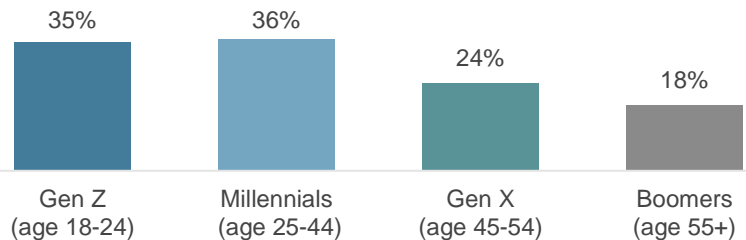


~90%

of consumers expect to increase spend on personal health and well-being after the COVID-19 crisis.

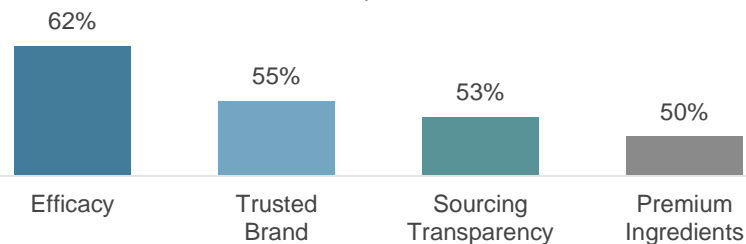
Gen Z and millennials are leading the charge in taking more vitamins and supplements as a result of the COVID-19 pandemic.

Percent of consumers taking **significantly more** vitamins and other supplements as a result of COVID-19



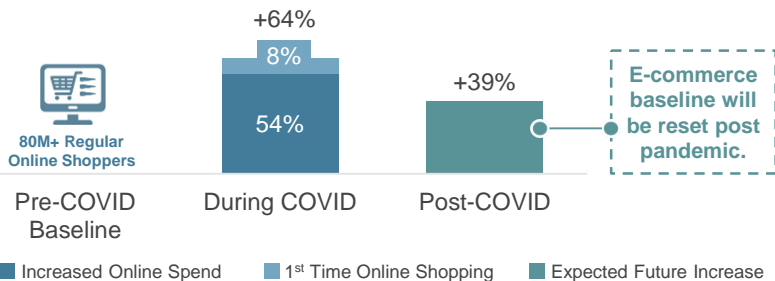
Effective, proven solutions can compel consumers to spend more in this uncertain environment.

Percent of respondents citing **willingness to pay a premium** for the below product features



Long-term retail shift toward online shopping has accelerated as consumers shelter in place; momentum that could last long after the health crisis is over.

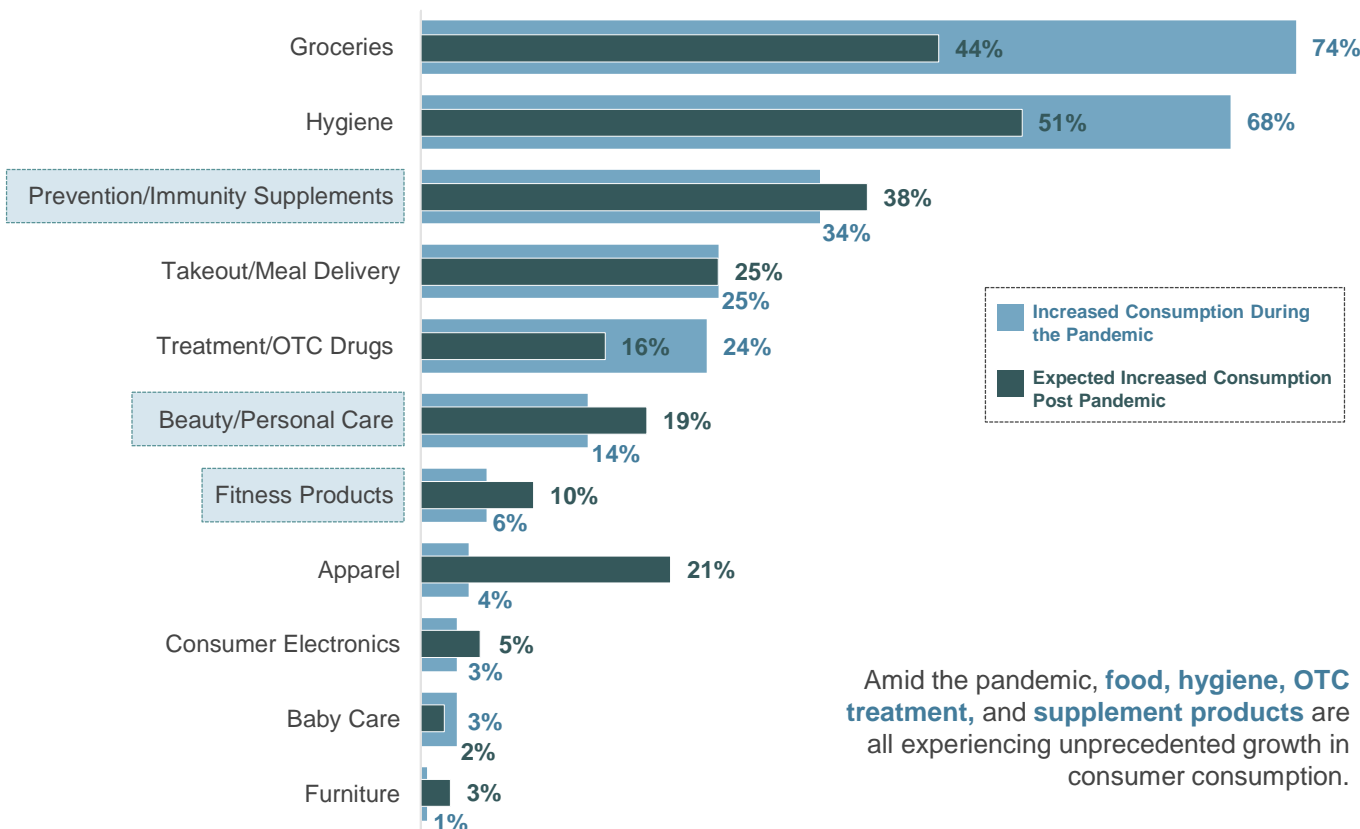
Percent of consumers increasing spend on **online shopping**



Health and Wellness: Long-Term Impact of the COVID-19 Pandemic (Cont.)

Health and wellness categories are experiencing unprecedented levels of demand during the pandemic, with surveyed consumers indicating increased consumption may be the “**new normal**.”

Categories With Increased Consumption During the Pandemic vs. Post Pandemic



The ‘New Normal’

Although consumption is up across the board during the COVID-19 pandemic, categories that are more focused on **prevention, self-care, and general wellness** (i.e., supplements, beauty/personal care, and fitness products) are expected to experience even greater consumption once the health crisis has passed.

Percent Change of Top Eight Categories: Increased Consumption Post-COVID vs. During COVID

Hygiene	Groceries	Prevention/Supplements	Takeout/Meal Delivery	Apparel	Beauty/Personal Care	Treatment/OTC Drugs	Fitness Products
(18%)	(30%)	+4%	0%	+17%	+5%	(8.5%)	+4%

How Houlihan Lokey Can Help

Our firm is extremely well equipped to help our clients navigate uncertain times. We respond quickly to challenging situations and are constantly helping clients to analyze, structure, negotiate, and execute the best possible solutions from both a strategic and a financial perspective

What We Offer

1 Corporate Finance

Mergers and Acquisitions

Capital Markets

Private Funds Advisory

Board Advisory Services

Corporate Finance

We have been the most active advisor to the North American food and beverage industry for over a decade and have long-standing relationships with capital providers, including private equity funds, family offices, commercial banks, and other senior credit providers, insurance funds, asset managers, and mezzanine fund investors.

2 Financial Restructuring

Company Advisory

Distressed M&A

Liability Management

Creditor Advisory

Financial Restructuring

We have the largest restructuring practice of any global investment bank. Since 1988, we have advised on more than 1,000 such transactions (with aggregate debt claims in excess of \$2.5 trillion). We served as an advisor in 12 of the largest 15 bankruptcies from 2000–2019.

3 Financial and Valuation Advisory

Portfolio Valuation and Fund Advisory

Transaction Opinions

Corporate Valuation Advisory Services

Transaction Advisory Services

Real Estate Valuation and Advisory

Dispute Resolution Consulting

Financial and Valuation Advisory

For nearly four decades, we have established ourselves as one of the largest financial and valuation advisory firms. Our transaction expertise and leadership in the field of valuation help inspire confidence in financial executives, boards of directors, special committees, investors, and business owners we serve.

Why We're Different



Dominant in Special Situations and Restructuring



Significant Experience With Financing Markets



Senior-Level Commitment and Dedication



Deep, Industry-Specific Expertise



Superior Work Product/Technical Abilities



Creativity, Imagination, Tenacity, and Positivity

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

No. 1 Global Investment
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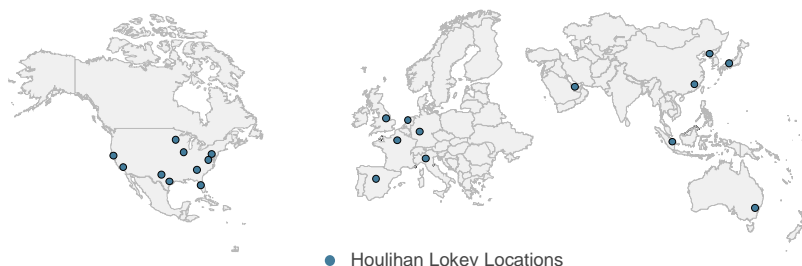
No. 1 M&A Advisor for All
U.S. Transactions With
184 Deals in 2019

No. 1 Global M&A
Fairness Opinion Advisor
Over the Past 20 Years

Leading Advisor to the Consumer, Food, and Retail Industry With a Deep, Global Footprint

2019 M&A Advisory Rankings All U.S. Consumer, Food & Retail Transactions

Advisor	Deals
1 Houlihan Lokey	30
2 Generational Equity	22
3 Piper Jaffray Cos	16
4 Goldman Sachs & Co	15
5 Centerview Partners LLC	13
5 Evercore Partners	13



Source: Refinitiv (formerly known as Thomson Reuters)

Select Recent Health and Wellness Sector Transactions

<p>Transaction Pending</p> <p>ISCITEC a portfolio company of Ascendis HEALTH has agreed to be acquired by BiotechUSA</p> <p>Sellside Advisor</p>	<p>care/of has received a significant growth investment from a large Consumer Healthcare Strategic</p> <p>Financial Advisor</p>	<p>foodspring has been acquired by MARS</p> <p>Sellside Advisor</p>	<p>ZARBEES NATURAL a portfolio company of CATTERTON has been acquired by Johnson & Johnson CONSUMER INC.</p> <p>Sellside Advisor</p>	<p>THE VITAMIN SHOPPE has sold the assets of its Nutri-Force Nutrition manufacturing subsidiary to ans has been acquired by a portfolio company of ENDEAVOUR</p> <p>Sellside Advisor & Fairness Opinion</p>	<p>Nutranext a portfolio company of WM PARTNERS LP has been acquired by THE CLOROX COMPANY</p> <p>Sellside Advisor</p>	<p>GENYSIS has been acquired by nellson a portfolio company of KOHLBERG & COMPANY</p> <p>Sellside Advisor</p>
<p>NATURE'S BOUNTY a portfolio company of THE CARLYLE GROUP has sold a majority stake to KKR</p> <p>Sellside Advisor</p>	<p>HOLLAND & BARRETT a division of NATURE'S BOUNTY a portfolio company of THE CARLYLE GROUP has been acquired by LETTERONE Retail</p> <p>Sellside Advisor</p>	<p>Body Plus has been acquired by Jamieson a portfolio company of CCMP CAPITAL</p> <p>Sellside Advisor</p>	<p>IOVATE has been acquired by 西王食品 XIWANG FOOD</p> <p>Sellside Advisor</p>	<p>MSG NUTRITIONAL a portfolio company of KAINOS has been acquired by AMERICAN SECURITIES</p> <p>Sellside Advisor</p>	<p>Perrigo has sold its U.S. Vitamin, Mineral and Supplement business to IVC ENTERPRISE VITAMIN & MINERAL SUPPLEMENT CORPORATION EMPOWERING YOUR HEALTH</p> <p>Sellside Advisor</p>	<p>CARTEK Global Professional Services Quality a portfolio company of PRAIRIE Skyline Global Partners has been acquired by SPC SUNSHINE PHARMACEUTICALS</p> <p>Sellside Advisor</p>
<p>Insurantz a subsidiary of Otsuka has acquired FoodState</p> <p>Buyside Advisor</p>	<p>Multibar a portfolio company of NOVACAP has been acquired by nellson nutraceutical, LLC a portfolio company of KOHLBERG & COMPANY</p> <p>Sellside Advisor</p>	<p>nutrabolt the owner of CELLUCOR has sold membership interests to MID OCEAN PARTNERS</p> <p>Sellside Advisor</p>	<p>HEALTHY DIRECTIONS a portfolio company of AMERICAN SECURITIES has been acquired by Helen of Troy</p> <p>Sellside Advisor</p>	<p>cornerstone an affiliated portfolio company of SEN CAPITAL PARTNERS, INC. has been acquired by Integrity a portfolio company of III GROWTH PARTNERS</p> <p>Sellside Advisor</p>	<p>Jamieson has been acquired by CCMP CAPITAL</p> <p>Sellside Advisor</p>	<p>nellson nutraceutical, LLC has been acquired by KOHLBERG & COMPANY</p> <p>Sellside Advisor</p>
<p>SANTA CRUZ NUTRITIONALS a portfolio company of LL has been acquired by ROUNDTABLE NUTRITIONALS</p> <p>Sellside Advisor</p>	<p>Schiff NUTRITION INTERNATIONAL has been acquired by Reckitt Benckiser</p> <p>Sellside Advisor & Fairness Opinion</p>	<p>Balance a portfolio company of BRYNWOOD PARTNERS has been acquired by NBTY a portfolio company of THE CARLYLE GROUP</p> <p>Sellside Advisor</p>	<p>AVID HEALTH, INC. has been acquired by SHANGHAI & SHANGHAI CO., INC.</p> <p>Sellside Advisor</p>	<p>Schiff NUTRITION INTERNATIONAL has acquired Airborne</p> <p>Buyside Advisor</p>	<p>Alacer Corp. Emergen-C has been acquired by Pfizer</p> <p>Sellside Advisor</p>	<p>Ganeden Ganeden OTC has been acquired by Schiff NUTRITION INTERNATIONAL and TPG TRUST</p> <p>Sellside Advisor</p>

Note: Tombstones included herein represent transactions closed from 2011 forward.

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