


INSIGHT

A network diagram consisting of numerous white nodes connected by thin white lines, forming a complex web. The nodes are small circles, some of which are highlighted in a light blue color. In the background, a person's face is visible, slightly blurred, looking towards the camera. The overall image has a blue and white color scheme.

CONSUMER HEALTH SECTOR SNAPSHOT

Q2 2020

BOURNE PARTNERS

Consumer Health Sector COVID-19 Update

- Since the onset of COVID-19 we've seen consumer demand for and purchases of overall wellness products, both physical and mental, accelerate considerably
- Additionally, consumers are using the most convenient shopping methods, such as E-commerce
 - As multi-outlet store sales declined, online sales grew 4x vs 2019¹
- E-commerce sales continues to accelerate, while grocery and dollar stores sales have seen modest growth
- At the onset of the pandemic in March, shoppers stocked up on items that typically have a purchase cycle of about 60 days, in an effort to minimize repurchases in the near term
 - Interestingly, in April we saw total store sales drop compared to March, but sales still remain above the relative monthly average as people continue to make larger purchases per-visit with consumers stocking up to make fewer trips during the coronavirus pandemic
- During the global pandemic, consumers increasingly have become more value conscious and keen deal hunters
 - 44% of consumers now are paying more attention to advertisements offering promotions and deals compared to before the crisis
 - Social media continues to be a driving force of purchases, but digital online advertisements and print mail offers had the same level of influence on consumer purchases – demonstrating the need for consumer brands to have an omnichannel approach
- As noted in The Emerson Group's most recent COVID-19 update on Consumer Health, shoppers continue to be proactive with their physical and mental health – Two thirds of consumers say they will change their behavior post COVID-19 to be more hygiene and wellness focused
 - Immunity health is currently a key area of focus for shoppers
 - Immune support products grew over 2x OTC 2016-2019 and are projected to grow faster than OTC in 2020-2021
 - "Immunity" Google Search is 4x+ in 2020 versus 2019
 - In addition, consumers are turning to sleep and bath products to help them unwind
 - Maintaining some sense of "normalcy" has resulted in consumers cutting their own hair, doing their own nails, etc.

Three Phases of Consumer Behavior During COVID-19

Industry Impact in Three Phases

- As consumer-health companies respond to the crisis, they must consider the needs and interests of their major stakeholders: consumers, customers, and employees
- The consumer sector is uniquely positioned to succeed during the crisis due to the trust placed on brands and the reliance on products for self-care
- Three broad phases of consumer behavior, linked to epidemiological phases and government responses to the crisis, are playing out: **escalation, accumulation, and early recovery**

1. Escalation

- During the escalation phases, consumers tend to “pantry load” essential goods, such as shelf-stable foods, toilet paper, and cold and pain medicines
- During the run-up to Italy’s lockdown, grocery food & pharmaceuticals grew by 11% and 20% respectively
- Consumers have chosen to buy their products through channels different from those they used before the pandemic
 - In Italy, overall e-commerce levels were up more than 80%, including a 2x – 3x increase in click-and-collect purchases
 - US saw online traffic for groceries increase by at least 25%

2. Accumulation

- In the accumulation phases, consumers brace for a sustained quarantine and purchase items for self-sustainment
- The downside is that consumers are forgoing select elements to their personal care during the pandemic
 - 78% of consumers said they would skip at least one wellness visit for maintenance of chronic illness, elective procedure or recreational lab test/screening
 - 52% of consumers who regularly take meds reported that they were worried about getting their prescriptions; 17% experienced delays; 22% said they would “stretch” the medication; 9% said they would stop taking their meds altogether to save money

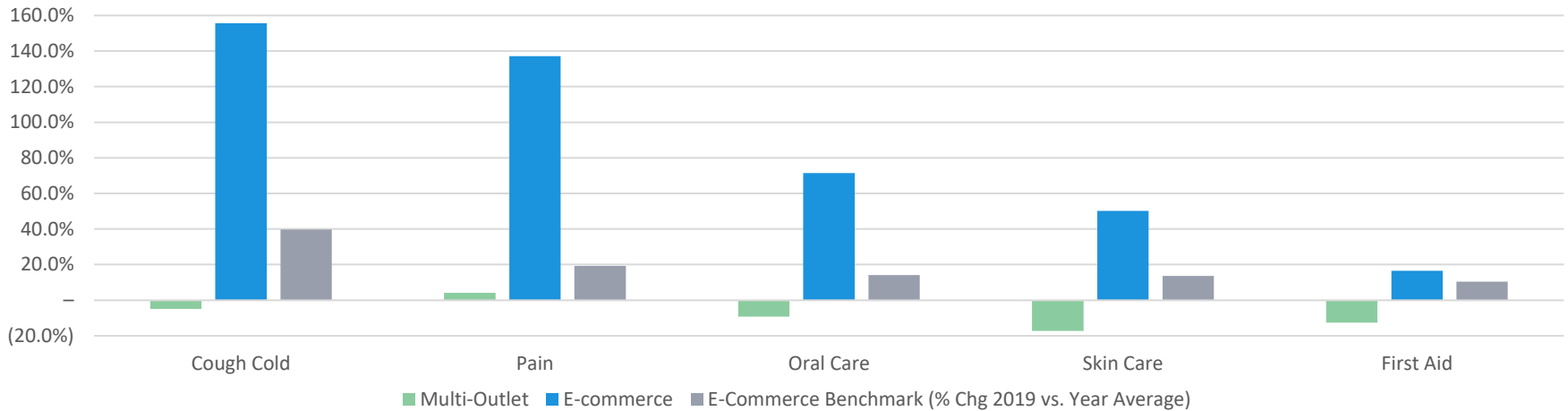
3. Early Recovery

- Finally, in the early recovery phases – which has started to take hold in China – consumer sentiment rebounds
- A recent McKinsey survey found that 70% of consumers in tier-1 and tier-2 cities in China intend to return to the same (or even higher) levels of spending on consumer goods after the COVID-19 crisis has been resolved

Consumer Health Sector Performance in COVID-19

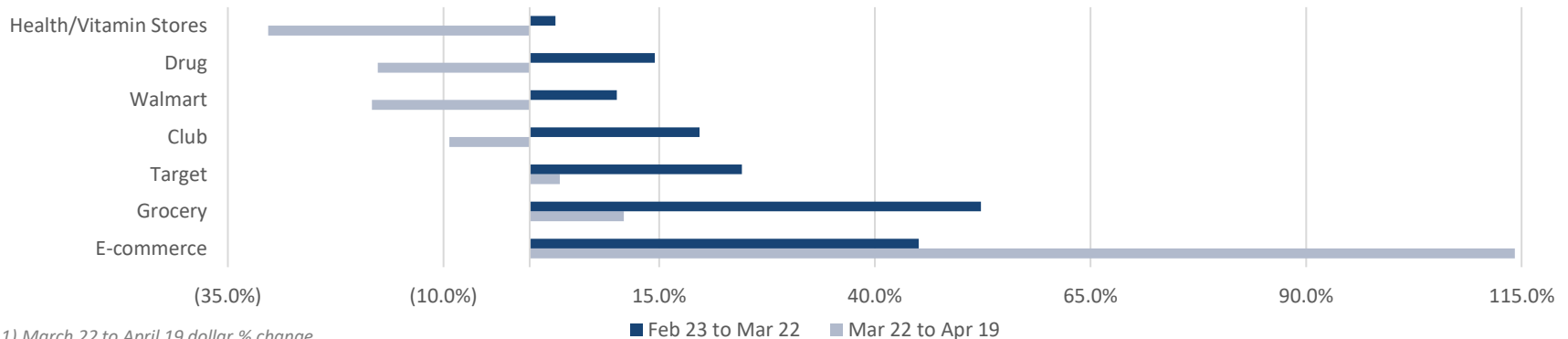
Brick & Mortar vs. E-commerce¹

During COVID-19, E-commerce sales are significantly outpacing multi-outlet and previous performance



Health & Beauty Care % Change in Trips vs. Year Average

- Total store sales dropped in April from March, but still remain above the average as people continue to stock-up, making fewer trips
 - Convenient shopping, such as e-commerce continues to accelerate



1) March 22 to April 19 dollar % change

Sources: WSL How America Shops in a COVID Crisis; The Emerson Group: COVID-19 Month 2

Update

Consumer Health – M&A Transaction Comps

Consumer Health - Transaction Comps

USD in millions

Announced Date	Target	Target Description	Buyer	Geographic Location	Enterprise Value	LTM Revenue	LTM EBITDA	EV / LTM Revenue	EV / LTM EBITDA
Jul-20	7 OTC Consumer Healthcare Products	Foundation Consumer Healthcare acquired 7 OTC brands of GSK Consumer Healthcare located in the UK	Foundation Consumer Healthcare	United Kingdom	NA	NA	NA	NA	NA
Jun-20	Vital Proteins	Vital Proteins manufactures and sells whole food based nutrition containing collagen	Nestlé Health Science	USA	NA	NA	NA	NA	NA
Apr-20	Oral Care Assets of High Ridge Brands Co.	High Ridge Brands oral care assets include power toothbrushes, travel kits, and rinse and floss items	Ranir	USA	\$113.0	NA	NA	NA	NA
Feb-20	15 Consumer Healthcare Products	STADA acquired 15 consumer healthcare products comprises cold and flu, pain, and skincare brands from GSK	STADA	United Kingdom	325.0	NA	NA	NA	NA
Jan-20	Hello Products	Hello Products manufactures and sells a variety of oral care products, including toothpaste, mouthwashes, and lip balms	Colgate-Palmolive Company	USA	351.0	NA	NA	NA	NA
Nov-19	Portfolio of 20 Select OTC/Rx Assets of Takeda	The portfolio includes OTC vitamins, food supplements, and select products within various therapeutic areas	STADA; OAO Nizhpharm	Russia	660.0	NA	NA	NA	NA
Jul-19	Dr. Scholl's	Dr. Scholl's is the US based footcare business of Bayer Aktiengesellschaft	Yellow Wood Partners	USA	585.0	\$234.0	NA	2.5x	NA
Jul-19	Laboratoires FILORGA Cosmétiques	Laboratoires FILORGA Cosmétiques develops anti-aging skin care products	Colgate-Palmolive Company	France	1,707.0	NA	NA	NA	NA
Jun-19	Trimb Healthcare	Karo Pharma will Trimb Healthcare from Avista Capital Holdings. Karo will take ownership of all Trimb brands	Karo Pharma	Sweden	360.6	98.6	\$15.9	3.7x	22.7x
Jun-19	Nestlé Skin Health	Nestlé Skin Health S.A. offers a range of medical and consumer skin health products	EQT Partners	Switzerland	10,501.1	2,882.6	NA	3.6x	NA
May-19	Ranir	Ranir develops, manufactures, and sells consumer oral and personal care products	Perrigo Company	USA	750.0	287.0	NA	2.6x	NA
May-19	Coppertone	The Coppertone sunscreen business of Bayer was acquired by Beiersdorf Aktiengesellschaft	Beiersdorf Aktiengesellschaft	USA	550.0	213.0	NA	2.6x	NA
Feb-19	OTC-Business of Moberg Pharma AB	Divestment of OTC portfolio including Kerasal, New Skin, Dermoplast, Domeboro, Emtrix, and Zammira	RoundTable Healthcare & Signet Healthcare Partners	Sweden	155.0	48.8	NA	3.2x	14.1x
Dec-18	Nutrisystem	Nutrisystem, provides weight management products and services for women and men in the United States	Tivity Health	USA	1,340.7	692.7	\$88.4	1.9x	15.2x
Oct-18	SlimFast/Health and Nutrition Systems	SlimFast/Health and Nutrition Systems offers weight management, and health and wellness products.	Glanbia	USA	350.0	NA	NA	NA	NA
Apr-18	Consumer Health Business of Merck	Procter & Gamble Overseas India purchased 51.8% of Merck's consumer health business	Procter & Gamble Overseas India	Germany	8,048.7	NA	NA	NA	NA
Mar-18	Novartis AG	GSK takes full control of Sensodyne, Panadol, Voltaren, and Nicotinell, among others from Novartis	GlaxoSmithKline	United Kingdom	35,665.9	9,909.3	NA	3.6x	NA

Notes:

NA - Not Available

NM - Not Meaningful

Median	\$585.0	\$260.5	\$52.1	2.9x	15.2x
Mean	4,097.5	1,795.8	52.1	3.0x	17.3x
Min	113.0	48.8	15.9	1.9x	14.1x
Max	35,665.9	9,909.3	88.4	3.7x	22.7x

- The Consumer Health transaction comps imply a median EV / Sales and EV / EBITDA of 2.9x and 15.2x respectively

Consumer Health – Public Company Trading Comps

Consumer Health - Trading Comps

USD in millions

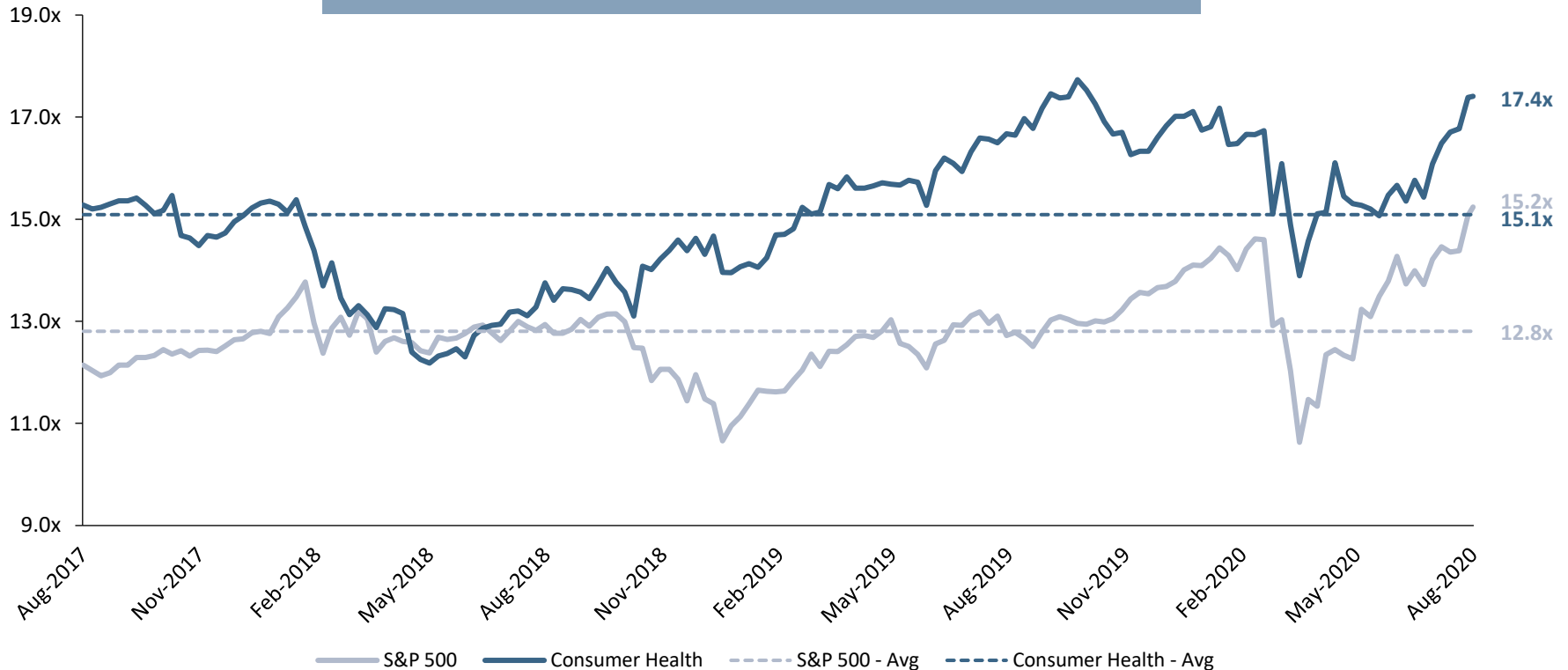
Company	Ticker	Enterprise Value	LTM			Margin Analysis			Enterprise Value/			Debt/		
			Sales	EBITDA	EBIT	Gross Profit	EBITDA	EBIT	Sales	EBITDA	EBIT	Enterprise Value	Equity Value	EBITDA
Blackmores Limited	ASX:BKL	\$1,092.6	\$419.7	\$48.7	\$37.8	57.0%	11.6%	9.0%	2.6x	22.5x	28.9x	11.0%	12.1%	2.5x
Boiron SA	ENXTPA:BOI	472.1	625.2	122.7	94.0	55.7%	19.6%	15.0%	0.8x	3.8x	5.0x	3.1%	2.1%	0.1x
Church & Dwight Co., Inc.	NYSE:CHD	25,312.4	4,593.1	1,119.4	952.5	46.2%	24.4%	20.7%	5.5x	22.6x	26.6x	8.1%	8.6%	1.8x
Medifast, Inc.	NYSE:MED	1,953.3	726.3	94.5	89.9	75.3%	13.0%	12.4%	2.7x	20.7x	21.7x	0.7%	0.6%	0.0x
Nature's Sunshine Products, Inc.	NasdaqCM:NATR	155.9	366.9	29.5	18.8	74.1%	8.0%	5.1%	0.4x	5.3x	8.3x	15.5%	12.4%	0.8x
Nu Skin Enterprises, Inc.	NYSE:NUS	2,588.5	2,314.8	311.5	235.3	75.8%	13.5%	10.2%	1.1x	8.3x	11.0x	21.9%	23.7%	1.8x
Perrigo Company plc	NYSE:PRGO	10,596.5	5,003.9	867.2	474.2	36.1%	17.3%	9.5%	2.1x	12.2x	22.3x	34.0%	48.3%	4.1x
Prestige Consumer Healthcare Inc.	NYSE:PBH	3,623.8	963.0	329.4	300.4	58.7%	34.2%	31.2%	3.8x	11.0x	12.1x	48.9%	91.6%	5.4x
The Procter & Gamble Company	NYSE:PG	350,105.9	70,950.0	19,157.0	16,144.0	51.0%	27.0%	22.8%	4.9x	18.3x	21.7x	9.9%	10.5%	1.8x
Reckitt Benckiser Group plc	LSE:RB.	85,174.6	16,736.4	4,915.6	4,399.2	60.9%	29.4%	26.3%	5.1x	17.3x	19.4x	18.6%	21.9%	3.2x

Median	57.9%	18.5%	13.7%	2.6x	14.8x	20.5x	13.3%	12.2%	1.8x
Mean	59.1%	19.8%	16.2%	2.9x	14.2x	17.7x	17.2%	23.2%	2.4x
Min	36.1%	8.0%	5.1%	0.4x	3.8x	5.0x	0.7%	0.6%	0.0x
Max	75.8%	34.2%	31.2%	5.5x	22.6x	28.9x	48.9%	91.6%	5.4x

- In the Consumer Health space, the median EV / Sales and EV / EBITDA are 2.6x and 14.8x respectively

Valuation Trends – Last 3 Years

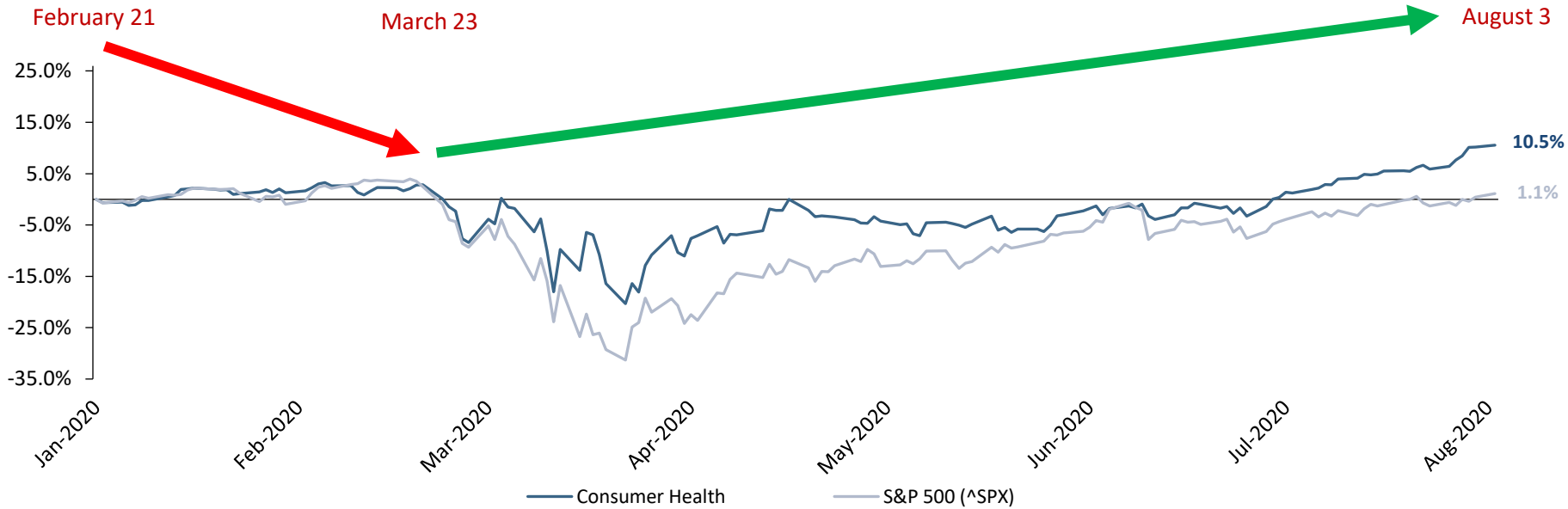
Historical Total Enterprise Value / EBITDA Multiples



- The recent growth of the Consumer Health EV / EBITDA multiple results in a healthy gain over the 3 year period, sitting at a current EV / EBITDA multiple level of 17.4x; the current multiple sits just below the 3 year high of 17.7x
- The current sector EV / EBITDA multiple still remains at a premium to the S&P 500 multiple

Consumer Health basket consists of: Blackmores Limited (ASX:BKL), Boiron SA (ENXTPA:BOI), Church & Dwight Co., Inc. (NYSE:CHD), Medifast, Inc. (NYSE:MED), Nature's Sunshine Products, Inc. (NasdaqCM:NATR), Nu Skin Enterprises, Inc. (NYSE:NUS), Perrigo Company plc (NYSE:PRGO), Prestige Consumer Healthcare Inc. (NYSE:PBH), The Procter & Gamble Company (NYSE:PG), Reckitt Benckiser Group plc (LSE:RB.)

Consumer Health Sector on the Rebound



Start of Bull Market to Start of COVID-19 / Sector Peaks

March 5, 2009 to February 21, 2020

- Consumer Health: ↑ 182%
- S&P 500: ↑ 389%

Onset of COVID-19 / Sector Peaks to COVID-19 Trough

February 21, 2020 to March 23, 2020

- Consumer Health: ↓ 22%
- S&P 500: ↓ 33%

From COVID-19 Trough to Present⁽¹⁾

From March 23, 2020 to June 30, 2020

- Consumer Health: ↑ 39%
- S&P 500: ↑ 47%

Consumer Health basket consists of: Blackmores Limited (ASX:BKL), Boiron SA (ENXTPA:BOI), Church & Dwight Co., Inc. (NYSE:CHD), Medifast, Inc. (NYSE:MED), Nature's Sunshine Products, Inc. (NasdaqCM:NATR), Nu Skin Enterprises, Inc. (NYSE:NUS), Perrigo Company plc (NYSE:PRGO), Prestige Consumer Healthcare Inc. (NYSE:PBH), The Procter & Gamble Company (NYSE:PG), Reckitt Benckiser Group plc (LSE:RB.)

Valuation Trends (Current, 3 Year, & LTM Comparisons)

- Below are the current EV / EBITDA multiples for each sector:
 - Consumer Health: 17.4x (14.2% above current S&P 500 multiple)
 - S&P 500: 15.2x
- Below are the average EV / EBITDA multiples for each sector over the last 3 years:
 - Consumer Health: the current multiple is 15.4% above its 3 year average; 15.1x (3 year average)
 - S&P 500: 12.8x (3 year average)
- Below are the % change in EV / EBITDA multiples for each sector over the last 3 years (and LTM):
 - Consumer Health: +14.0% in the last 3 years (+4.4% LTM)
 - S&P 500: +25.5% in the last 3 years (+19.8% LTM)