

# CONSUMER HEALTH

## SECTOR SNAPSHOT

Q2 2022

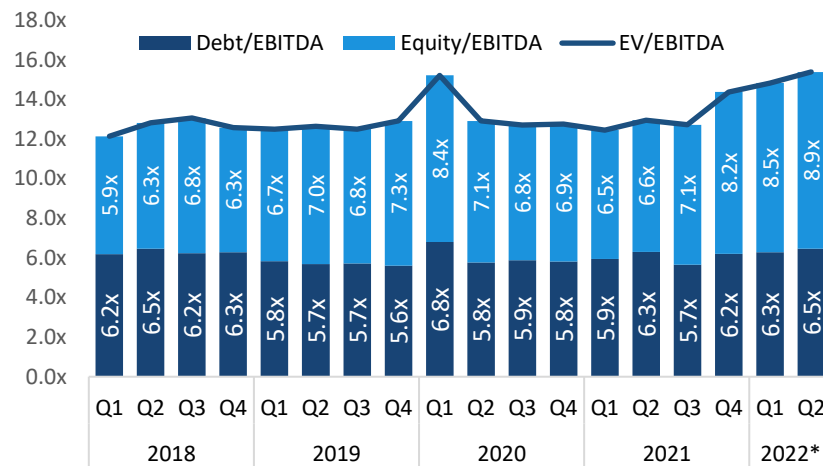
# MARKET TRENDS

PERSPECTIVES AND VALUATIONS

# M&A MARKET COMMENTARY

- Despite the recent downturn and volatility in the public markets, the private markets have continued to hold near all time highs from an EV / EBITDA perspective
- The credit markets have once again been thrust into the spotlight as the Federal Reserve continues to rapidly raise rates to combat inflationary pressure
- The 4-month rolling median for US PE buyout multiples reached the highest level seen in the last decade, this time with an increased proportion of transactions being financed with equity relative to the previous record in Q1 of 2020
- Despite global challenges, the private market remains healthy from an M&A standpoint for a number of reasons:
  - Record number of buyers in the market
  - Continued (albeit more modest) lending activity with borrowers anticipating higher rates
  - A belief that private markets will outperform public ones and soft monetary policy throughout 2020 and 2021 has led to record amounts of capital chasing yield
- As we move into the second half of 2022, Bourne Partners expects to see sustained M&A interest from US Private equity buyers (and potentially less activity from strategic buyers) as owners of quality assets continue to seek monetization events and investors continue to attempt to deploy capital into strong, privately held businesses

## US Buyout Multiples Remain Elevated



## Historical US High Yield Debt Effective Yield<sup>2</sup>

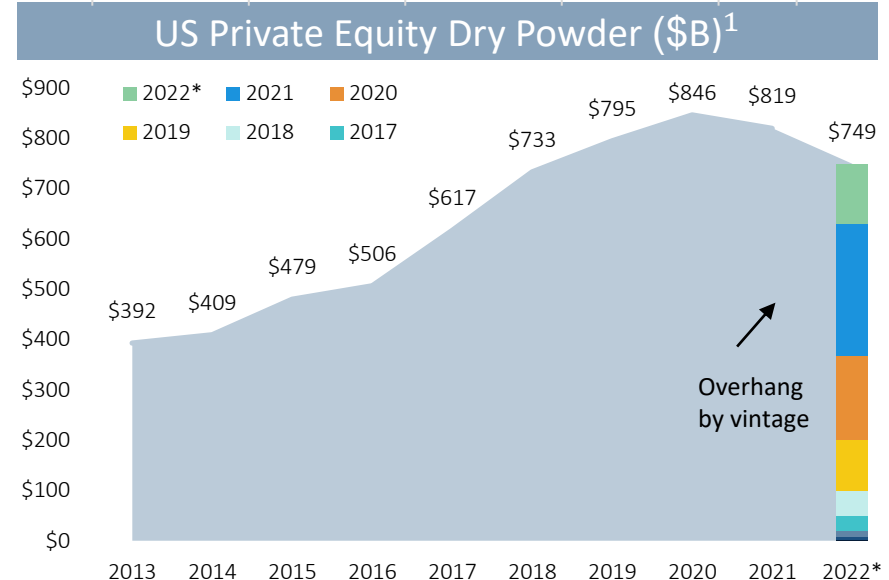
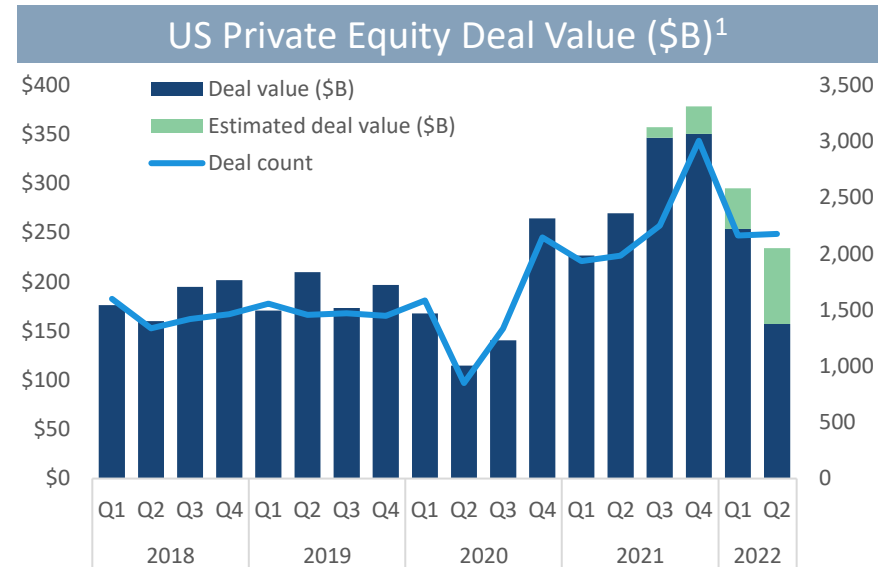


1) PitchBook, Q2 2022 (4 quarter rolling median)

2) Ice Data Indices, LLC, ICE BofA US High Yield Index Effective Yield [BAMLH0A0HYM2EY] Federal Reserve Bank of St. Louis

# PRIVATE EQUITY MARKET COMMENTARY

- 2021 saw Private Equity deal volume reach its highest level ever recorded; nearly \$1.3T in actual and estimated deal value
- 2021 was the beneficiary of a large spurt in deal activity as sellers sought to capitalize on attractive valuations and preempt potential adverse tax code changes
- In the second quarter of 2022, total deal value declined by nearly 20% from the first quarter while the number of estimated and actual deals remained essentially flat indicating that private equity investors were targeting smaller deals
- One major backstop which should prevent further declines in Private Equity backed deals is the sheer volume of dry powder that remains in Private Equity coffers
  - As of June 30th, 2022, US Private Equity had a capital overhang of ~\$749B
  - Dry powder declined significantly from Q4 2021 as Private Equity groups continued to deploy record amounts of capital however, at its current rate, 2022 is on track to set the record for most Private Equity capital raised
  - In 2021 Private Equity firms raised a staggering \$312B led by the largest PE funds (>\$5B) which raised ~46% of all new capital raised in the space
  - In Q1 2022 funds between \$1-5B have raised the largest share of capital at ~40% of all new capital raised
  - In Q2 2022 funds >\$5B regained their lead and as of 6/30/2022 account for ~58% of all PE capital raised in 2022



# CONSUMER HEALTH MARKET UPDATE

Bourne Partners is consistently in touch with leading professionals from our industry network to stay up-to-date on all macro sector trends

## Economic

- Amid a tumultuous economic landscape, consumer health has maintained its strong position and lofty valuations due to many broader industry tailwinds
- Today, the Bourne Partners' Consumer Health Index<sup>1</sup> trades 37% above the S&P 500, meanwhile, changing consumer habits are reshaping several aspects of the sector operationally, driving growth as consumers prioritize individual wellness more than ever

## Industry

- The ~\$250B global consumer health industry is largely split 50 / 50 between OTC / VMS sales.
- 2021 VMS growth outpaced OTC due to weak flu and allergy sales, both are expected to return to more normal levels
- The industry remains highly fragmented with the top 10 participants accounting for just 1/4th of overall sales

## Consumer

- The past decade has seen increased access, education, and rising health-care cost enhance the self-reliance of consumers; this trend was further accelerated by the pandemic, and looks to persist as consumers increasingly prioritize self-care
- In 2021, 70% of Americans reported incorporating health and wellness routines and practices several days a week, and most recently, 1 in 3 are doing more now versus last year<sup>2</sup>
- This has translated to an increase in cross-demographic consumer healthcare spending, growing the overall market at a rate of 4% in 2021

*Consumer Health basket consists of: Beiersdorf AG (XTRA:BEI), Church & Dwight Co., Inc. (NYSE:CHD), Colgate-Palmolive Company (NYSE:CL), Nu Skin Enterprises, Inc. (NYSE:NUS), Prestige Consumer Healthcare Inc. (NYSE:PBH), Reckitt Benckiser Group plc (LSE:RKT), Procter & Gamble (NYSE:PG)*

1) As of 6/30/2022 2) Ihi Proprietary Survey

Sources: JPM Sector Research, S&P Capital IQ

# PERSONAL WELLNESS TRENDS

Over the last several years, the consumer has taken healthcare into their own hands, focusing on proactive spending to stay healthy versus reactive spending to get healthy

## Digital Interface / Data Gathering

- Technology has significantly impacted how consumers learn, view, track, and think about their personal health
- The use of **digital platforms and data integration** has drastically altered the consumer health landscape; incentivizing wellness and empowering consumers to make personalized choices
- Ecommerce** has become an even more effective sales channel, accounting for 22% and 6% of 2021 VMS and OTC sales, respectively<sup>1</sup>
- Expect to see digital platforms and data gathering interfaces / devices continue their growth and influence over this space in the coming years

## Preventive Care

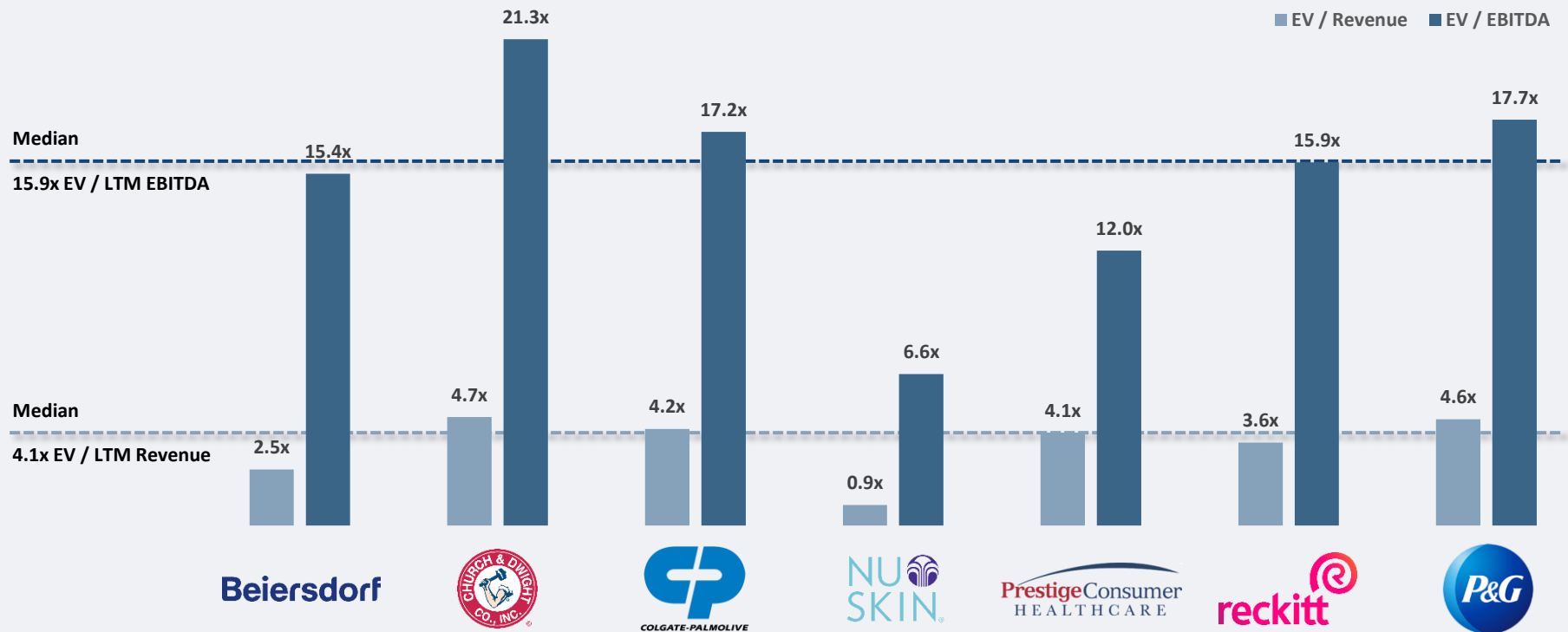
- Thanks to the digital interface and data gathering discussed to the left, consumers have never understood more about their bodies and health; as such, consumers are increasingly using OTC and VMS products to respond to this data and “stay healthy” versus spending to “get back to health”
- Currently, just 3% of total healthcare spending is on prevention.<sup>2</sup> The recent observed consumer behavior will likely change this figure drastically in the coming years, specifically benefiting the OTC and VMS markets; **the broader consumer health market stands to benefit greatly from more self-reliant consumers**
- Recent regulatory developments regarding Rx-to-OTC switches also show **the FDA’s understanding of this trend and push to providing access to better preventive care to more people through the OTC market**

## Product Selection

- Consumers are increasingly more conscious about product sourcing and ingredient profile
- Individuals have even been shown to prefer **natural products over effective products** by a significant margin. “Natural” dietary and skincare products are preferred ~2x more than “effective products”<sup>3</sup>
- Personalized health products** are another beneficiary of consumer behavior changes – as buyers continue to learn more about their health and spend more on maintaining health, they’re looking for specialized solutions tailored to their situation
- Another product selection trend is the rise of cannabis related products – the \$11B medical marijuana market is projected to grow at an 18% CAGR for the next 5 years<sup>4</sup>

# CONSUMER HEALTH PUBLIC TRADING COMPS

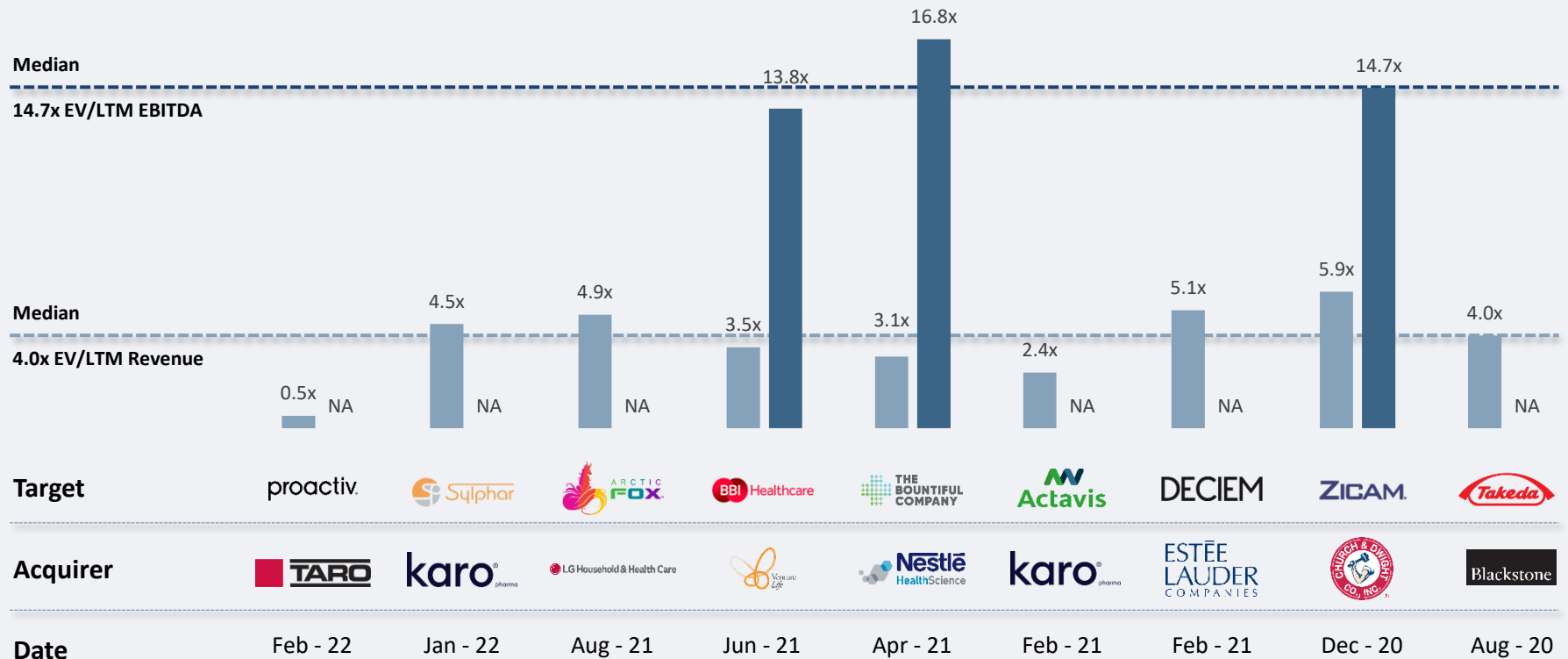
Today<sup>1</sup>, Bourne Partners' Consumer Health index is trading at **EV/Revenue** and **EV/EBITDA** multiples of **4.1x** and **15.9x**, respectively



- Despite recent downturns in the broader market, consumer health companies are still trading at a healthy level
- As consumers continue to focus on preventative versus reactive healthcare, using over the counter products and vitamins / supplements to maintain their health on an ongoing basis, one can expect this sector to remain of high interest to investors

# CONSUMER HEALTH TRANSACTION COMPS

The transactions exhibited below are illustrative of where Consumer Health companies are trading in M&A transactions today



- Based on publicly available transaction multiples over the last 24 months, Consumer Health companies are trading around 4x LTM Revenue and 14.7x LTM EBITDA in M&A transactions



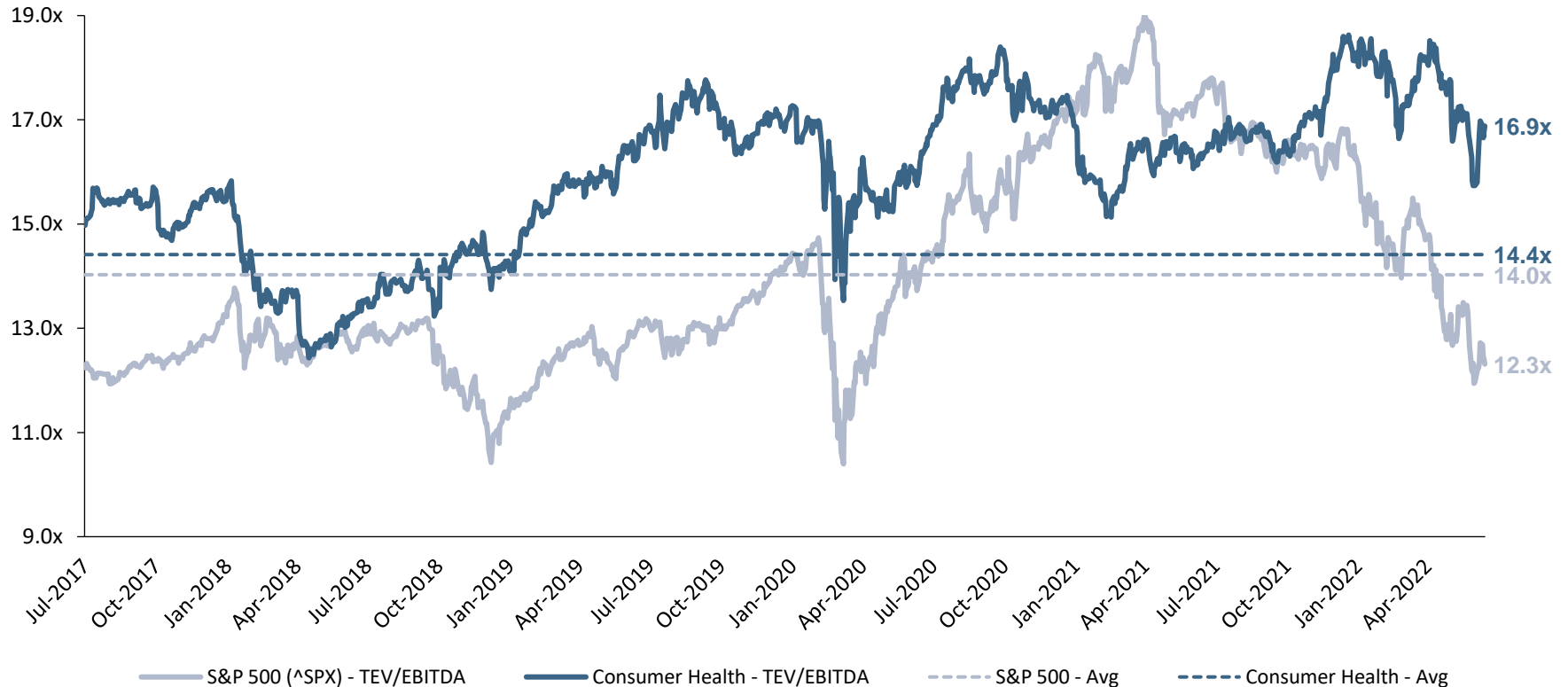
# 1H 2022 CONSUMER HEALTH M&A ACTIVITY

While not all of the transactions had publicly available financial details, 1H 2022 was a strong period for M&A in Consumer Health despite shakiness in the broader markets

June 2022		France-based company engaged in making food supplements and baby care products		Private equity firm based in London	Implied EV <sup>1</sup> : <b>NA</b>	EV / Rev: <b>NA</b>	EV / EBITDA: <b>NA</b>
May 2022		US-based innovator, manufacturer and marketer of premium supplements		Manufacturer, distributor, and marketer of branded natural health products	Implied EV: <b>\$210</b>	EV / Rev: <b>NA</b>	EV / EBITDA: <b>NA</b>
April 2022		Manufacturer of encapsulated dietary supplements and nutritional products		Specialty ingredients producer for the health, personal care, and pharma industries	Implied EV: <b>NA</b>	EV / Rev: <b>NA</b>	EV / EBITDA: <b>NA</b>
Feb 2022		Leading US OTC acne and skin care line for more than 25 years		Producer, researcher, developer, and marketer pharmaceutical products	Implied EV: <b>\$90</b>	EV / Rev: <b>0.5x</b>	EV / EBITDA: <b>NA</b>
Jan 2022		Manufacturer of medical aids and cosmetic consumer healthcare products		Develops and markets products to pharmacies and directly to the healthcare sector	Implied EV: <b>\$329</b>	EV / Rev: <b>4.5x</b>	EV / EBITDA: <b>NA</b>

# SECTOR PERFORMANCE VS S&P 500 - LAST 5 YEARS

Today<sup>1</sup>, Bourne Partners' Consumer Health index is trading 17% over its 5-year average and ~37% above the S&P 500. The S&P 500 sits ~14% below its 5-year average

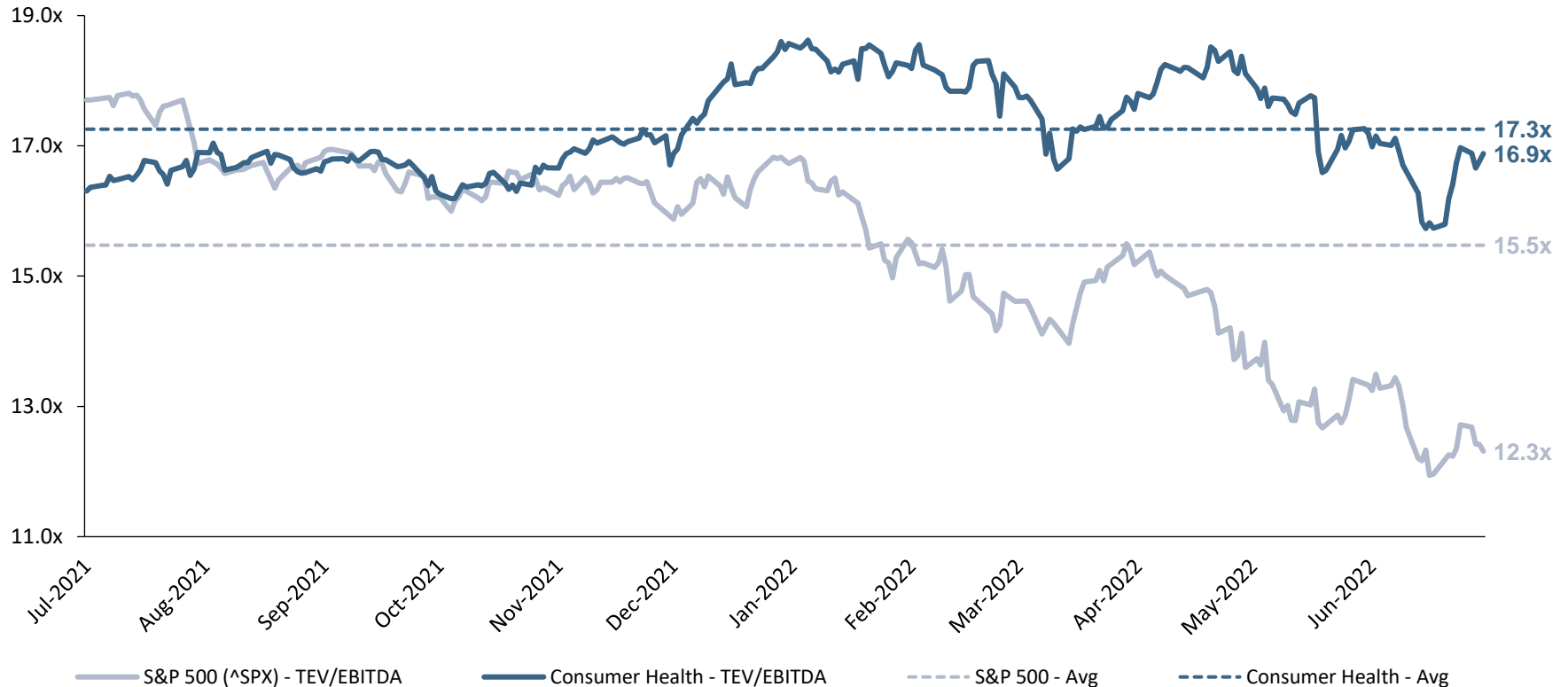


***Bourne Partners' Consumer Health index has largely outperformed the S&P 500 over the last 5 years and has seen substantial (positive) separation over the last twelve months amid recessionary and inflationary concerns***

Consumer Health basket consists of: Beiersdorf AG (XTRA:BEI), Church & Dwight Co., Inc. (NYSE:CHD), Colgate-Palmolive Company (NYSE:CL), Nu Skin Enterprises, Inc. (NYSE:NUS), Prestige Consumer Healthcare Inc. (NYSE:PBH), Reckitt Benckiser Group plc (LSE:RKT), Procter & Gamble (NYSE:PG)

# SECTOR PERFORMANCE VS S&P 500 - LTM

Today<sup>1</sup>, Bourne Partners' Consumer Health index is trading largely in line with its 2022 average and ~37% above the S&P 500 on an EV / EBITDA multiple basis



***Despite the turmoil in the broader market through 2022, Consumer Health companies have continued to trade relatively flat throughout the year and currently sit at a healthy EBITDA multiple of 16.9x, well above that of the S&P 500 index***

Consumer Health basket consists of: Beiersdorf AG (XTRA:BEI), Church & Dwight Co., Inc. (NYSE:CHD), Colgate-Palmolive Company (NYSE:CL), Nu Skin Enterprises, Inc. (NYSE:NUS), Prestige Consumer Healthcare Inc. (NYSE:PBH), Reckitt Benckiser Group plc (LSE:RKT), Procter & Gamble (NYSE:PG)

# SELECT TRANSACTION EXPERIENCE

BOURNE PARTNERS RELEVANT CASE STUDIES

# CASE STUDY: FAGRON DIVESTS ITS PRIVATE LABEL BUSINESS



has divested its retail private label and CDMO franchise to



**Outcome:**  
**Up to \$10,000,000**  
**for 80% of business**

## COMPANY OVERVIEWS

### FAGRON NV (ENXTBR: FAGR)

Together with prescribers and pharmacists, Fagron strives to improve personalized medicine and to make it more accessible for patients. Fagron provides both sterile and non-sterile preparations to hospitals, pharmacies, clinics, and patients. The company also innovates concepts, vehicles, and formulations for pharmaceutical compounding, as well as provides pharmaceutical raw materials, equipment, and supplies that pharmacists need to prepare medications in the pharmacy. Fagron was founded in 1990 and is based in Belgium.

### SIGNET HEALTHCARE PARTNERS

Signet is a leading provider of growth capital to innovative healthcare companies around the world. The firm looks to invest in commercial-stage Healthcare companies that are revenue generating or preparing for commercial launch. During Signet's 20+ year history, they have raised four funds with total capital commitments of over \$400 million and have invested in more than 55 companies. Signet was founded in 1988 and has offices in New York, NY and Houston, TX.

## NEGOTIATED FAVORABLE TRANSACTION STRUCTURE TO MAXIMIZE UPFRONT CASH CONSIDERATION

### OBJECTIVE

Fagron engaged Bourne Partners to carve out its retail private label and contract manufacturing business that also acted as an internal manufacturing site for some of Fagron's other business lines. Fagron planned to retain certain customer relationships / contracts but would divest the third-party CDMO and retail private label business units. While relatively easy to separate the business, the buyer would need to be flexible and "willing to work" to stand up the platform on its own, build up the financial performance, and transition the business to a truly competitive CDMO.

### PROCESS

Bourne Partners leveraged its expertise and broad relationship base within the Consumer Health and Pharma Services sectors to identify a comprehensive list of potential suitors for the unique carve-out situation. After garnering interest from several parties, Bourne and Fagron selected a group of investors led by Signet Healthcare Partners as the final buyer due to their expertise in the space, flexibility in unorthodox situations, and ability to achieve Fagron's desired transaction timeline.

### RESULT

On February 1, 2022, Signet, along with GMS Capital Partners and BionPharma, acquired an 80% stake in the carved-out entity for up to \$10 million. This structure allows Fagron to retain some level of control of its supply chain for its Trade Relations business, monetize a non-core business unit today, and receive a meaningful "second bite" of value for the operating entity down the road.

# CASE STUDY: BOURNE PARTNERS ADVISES GOLDMAN SACHS



has been advised by

**BOURNE PARTNERS**

on an investment in a major  
consumer health platform

**Outcome:**  
**Transaction Value**  
**Undisclosed**

## COMPANY OVERVIEWS

### GOLDMAN SACHS ASSET MANAGEMENT

Goldman Sachs Asset Management is a privately owned investment manager providing services to high-net-worth individuals, banking or thrift institutions, investment companies, business development vehicles, pension and profit-sharing plans, state or municipal government entities, insurance companies, sovereign wealth funds, charitable organizations, and more. It invests in the public equity, fixed income, and alternative investment markets across the globe. The firm is based in New York City but has additional offices across the United States.

### UNDISCLOSED CONSUMER HEALTHCARE COMPANY

The Company is a major consumer healthcare company built through acquisition of consumer healthcare products. The firm holds products across a variety of therapeutic areas within its portfolio.

## NEGOTIATED FAVORABLE TRANSACTION STRUCTURE TO MAXIMIZE UPFRONT CASH CONSIDERATION

### OBJECTIVE

Given Bourne Partners Strategic Capital's (BPSC's) and Bourne's expertise in consumer healthcare, Goldman Sachs Asset Management engaged BPSC to advise on a potential direct investment in a late-stage consumer healthcare platform.

### PROCESS

BPSC conducted an in-depth industry, product and valuation analysis; evaluated the quality and depth of the management team; orchestrated and led management meetings/diligence meetings and presented findings and recommendations to the Goldman team. Utilizing our deep industry expertise and experience in advising, investing in, and operating companies in the sector, BPSC provided investment guidance on prioritized risks, performance, outlook and valuation.

### RESULT

Per BPSC's recommendation, the Goldman team decided to invest in the business and followed BPSC's valuation guidance and proposed negotiation strategy. In the Spring of 2021, Goldman closed its investment in the Company.

# CASE STUDY: SALE OF NFI TO UPM



has been acquired by



**Outcome:**  
**\$20,000,000**  
**Enterprise Value**

## COMPANY OVERVIEWS

### NUTRITION & FITNESS, INC. (“NFI”)

NFI is an innovative consumer products company that manufactures markets and distributes several brands of nutritional supplements in the Health and Beauty Care Category. Blue-Emu, America’s #1 Emu Oil Formula, is NFI’s flagship brand of Emu Oil products. NFI has a broad range of products that encompass Arthritis Pain Relief, Anti-Itch, Joint and Muscle Cream, Foot Care, Health & Wellness and Sleep. The company currently distributes product lines through various retailers representing over 35,000 retail outlets.

### UPM PHARMACEUTICALS

Provider of contract development and manufacturing services for pharmaceuticals headquartered in Bristol, Tennessee. The company offers commercial manufacturing services, scale-up, quality and regulatory support, packaging and warehousing services with capabilities of handling semi-solid, solid, highly potent and controlled substance handling, providing pharmaceuticals research and drug research companies with quality manufacturing services.

## NEGOTIATED FAVORABLE TRANSACTION STRUCTURE TO MAXIMIZE UPFRONT CASH CONSIDERATION

### OBJECTIVE

NFI engaged Bourne Partners in order to identify a buyer and structure a transaction as the owners were ready to exit the business after more than 20 years operating the company. In addition to maximizing value, NFI was seeking a buyer with similar values that would offer employment continuity options for its key staff members.

### PROCESS

Bourne Partners generated interest from a range of potential acquirers including consumer health companies expanding their portfolios, buyout firms looking for a platform, and manufacturers seeking higher margin products where operating synergies could be realized through lower supply costs. Bourne Partners’ broad, customized outreach included a number of non-traditional potential buyers that might not be ideal acquirers on paper but that had interest in expanding their business into a segment that offered cash-pay products without reimbursement complexities, ultimately finding a company that other bankers might not have identified or approached, demonstrating how Bourne Partners has deep industry-specific insights, contacts, and value-add.

### RESULT

In 2014, NFI sold its business, including the Blue-Emu brand, for \$16M in upfront cash at closing, plus an additional \$4M in deferred consideration, to UPM Pharmaceuticals, a contract manufacturing business in Bristol, TN. NFI Consumer Products remains a separate business unit under UPM’s parent company, Gregory Pharmaceutical Holdings.

# CASE STUDY: SALE OF COLD-EEZE® TO MYLAN



has been acquired by



**Outcome:**  
**\$50,000,000**  
**Enterprise Value**

## COMPANY OVERVIEWS

### PROPHASE LABS, INC. (NASDAQ: PRPH)

ProPhase Labs' primary business is the manufacturer, distribution, marketing, and sale of OTC healthcare and cold remedy products to consumers through national chain, specialty, local retail stores and e-commerce. Its flagship brand is Cold-EEZE® and its principal product is Cold-EEZE® cold remedy zinc gluconate lozenges, a homeopathic product proven in clinical studies to reduce the duration and severity of symptoms of the common cold.

### MYLAN N.V. (NASDAQ: MYL)

Mylan is a global pharmaceutical company committed to setting new standards in healthcare. Working together around the world to provide 7 billion people access to high quality medicine. It offers a growing portfolio of more than 2,700 generic and branded pharmaceuticals. Mylan markets its products in more than 165 countries and territories.

## NEGOTIATED FAVORABLE TRANSACTION STRUCTURE TO MAXIMIZE UPFRONT CASH CONSIDERATION

### OBJECTIVE

ProPhase Labs is a small publicly traded company. At the time, the CEO realized that the market cap of the entire company was less than the value of some of their individual assets. ProPhase engaged Bourne Partners to act as its exclusive financial advisor to find an acquirer and maximize shareholder value in the sale of its cold remedy brand, Cold-EEZE®.

### PROCESS

Bourne Partners utilized its deep industry relationships and knowledge to market, solicit interest, negotiate, and drive the sale of Cold-EEZE® to a timely close. Within this process Bourne identified a set of financial and strategic buyers, including a group of pharmaceutical companies likely to place high value on the asset. Using Bourne's connections within the pharma industry, Bourne knew that Mylan, primarily a generics business, was interested in expanding their consumer health platform through the acquisition of strong brands in the space. Mylan ended up being the perfect buyer who, without inside knowledge, would not have been a priority target.

### RESULT

After running a targeted sale process, Bourne Partners achieved maximum value in its \$50m sale of Cold-EEZE® to Mylan. Under the terms of the agreement, Mylan, through its US OTC subsidiary, purchased substantially all of the assets and other rights relating to the Cold-EEZE® brand. Consistent with industry trends, Mylan was able to justify a purchase price significantly higher than other bidders due to its desire as a pharma company to expand its consumer health presence.





---

BOURNE PARTNERS

---