



HEALTH & WELLNESS INVESTMENT REPORT

Q2 2022



HEALTH & WELLNESS INVESTMENT REPORT: Q2 2022

By Daniel Teoh & Sharon Bromberg

With inflation, rising interest rates, labor issues, and supply chain challenges creating headwinds for companies and potential investors across the board during the second quarter, the health and wellness sector experienced a period of “cooling off” in M&A activity; a trend consistent across industries. Buoyed by the beauty category – which remained active despite the overall conditions – health and wellness has responded predictably in light of the geopolitical environment and hints that a recession may be imminent.

At this point, the top end of the health and wellness transaction market appears to be most impacted by current macroeconomic trends. It’s also feeling those impacts sooner than the rest of the market – a fact

supported by a reduction in the average capital being invested per deal. Middle market private equity firms and bankers expect a reasonably robust environment for the remainder of the year, despite the current and emerging headwinds.

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MARKET OVERVIEW

Capital invested in health and wellness companies during Q2 was \$17.73 billion across 693 deals. Both the deal count and capital invested were lower than Q1 when \$44.36 billion was invested in 929 deals. Some of the transactions that took place this quarter included KPS Capital Partners’ acquisition of food and beverage maker Primient; Diplomat Holdings acquisition of Dorot Gardens; and a large development capital infusion from an undisclosed investor for outdoor sports product manufacturer Hyperlite Mountain Gear, a company that manufactures and designs outdoor sports products.

Investors active in the health and wellness space during Q2 included Harvest Partners, Ares Capital Corporation

BDC, Eagle Private Capital, Kohlberg Kravis Roberts, and Sovereign’s Capital.

As the capital markets ecosystem adjusted to a new set of market factors during Q2, we noticed that health and wellness deals took longer to close as lenders took longer to complete their due diligence and become comfortable with the impact of the changing market conditions on transaction targets. With Q2 being erratic, beauty deals were the bright spot, underscoring the continued focus on self-care and empowerment.

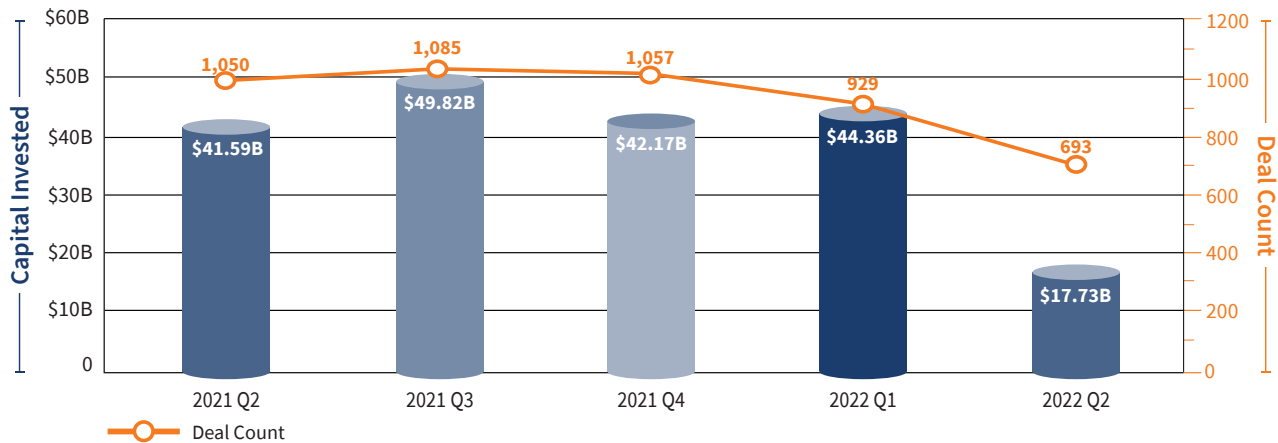




Q2 2022 TRENDING NUMBERS

All data gathered from PitchBook Data, Inc. as of July 1, 2022

Capital invested by deal count



MARKET FACTORS IMPACTING THE DEAL SPACE

- **Consumers want health and wellness products that are both good for them and good for the environment.** A trend we saw back in Q1 continued into Q2 with consumers across most generations setting their sights on buying and using products that are healthy and also good for the environment. This may be pushing more health and wellness companies to develop products and formulas – and to use packaging – that aligns with these shifts.
- **Probiotics are in big demand.** The probiotics category is expanding as more consumers use them to address specific issues or just feel better in general. In 2020, the global probiotics market was estimated at \$54.77 billion and is expanding at a compound annual growth rate (CAGR) of 7.2%.
- **Regenerative agriculture is seen as a sustainability driver.** Business interest in regenerative agriculture – a movement that promotes biodiversity, sequesters carbon, and allows living systems to work in harmony – has spiked by 138% since 2019.
- **Alternative ingredients are growing in popularity.** There's been a surge in demand for functional mushrooms and supplements as consumers look for food and beverage innovations that promote benefits beyond basic nutrition. In 2020, the global functional mushroom market generated \$7.98 billion – a number that's expected to exceed \$19 billion by 2030.
- **Employers are stepping up their health and wellness games.** With the COVID-19 pandemic continuing to create business disruption and impacting employees, most companies are putting money, time, and effort into their own wellness and mental health programs. The 2022 Employee Wellness Industry Trends Report found that 90% of employers are increasing their investment in mental health programs, with 76% doing so with stress management and resilience programs, and 71% with mindfulness and meditation programs.

Q2 2022 top investors: Most active private equity firms based on number of deals

Harvest Partners • Ares Capital Corporation BDC • Eagle Private Capital
Kohlberg Kravis Roberts • Sovereign's Capital



TRENDS AND TRANSACTION ACTIVITY BY CATEGORY



Fitness

The biggest deal in Q2 was the acquisition of senior wellness-focused firm Tivity Health by Stone Point Capital for \$2B which takes the formerly listed company private. Tivity Health provides health life solutions for seniors including fitness programs available at 22,000 fitness locations. Another deal in Q2 was Axiom Fitness which was acquired by VillaSport Athletic Club and Spa for an undisclosed sum. The acquisition will enable VillaSport Athletic Club and Spa to build full-size sport clubs in Treasure Valley, Idaho, and broaden its offerings as well as services.

We're also seeing a number of strategic partnerships forming in the fitness space. For example, Xponential Fitness is working with Lululemon to develop original fitness programming for Mirror, Lululemon's "smart home" gym offering. Xponential's brands are now providing workouts for Mirror.

These types of pairings are becoming even more important in the fitness sector, where complementary entities are joining forces to increase their market reach and expand their offerings. Companies are trying to work together rather than using M&A to grow and rolling the acquired products into a single portfolio.



Beauty

Companies in the beauty category were key targets for investors and buyers during Q2. Mango Moi, a developer of vegan and non-toxic hair and body care products, was acquired by Better For You Wellness; JAFRA Cosmetics International, which makes fragrances, makeup, skincare, color cosmetics, and other personal care products, was purchased by BetterWare de México; and HealthLynked, a cloud-based platform that connects healthcare providers and patients, bought Aesthetic Treatment Center.

The Mango Moi acquisition was yet another indicator of the growing importance of inclusive and sustainable beauty products. Founded by Haitian-American and proud Chicago native, Amanda Cayemitte, [Mango Moi offers effective vegan](#), all-natural, non-toxic hair and body care products with a focus on skin and body positivity. Its goal is to make people feel included, represented, confident, and pampered.

In another sign of the times, Fleur Marché was acquired by Equilibria, a maker of cannabis apothecary products intended to help women think differently about cannabis for their wellness, for an undisclosed sum. The company's product offering includes lotions, tinctures, bath bombs, and other personal use items, enabling women to learn about the wellness benefits of cannabidiol. We expect to see even more transactions in the CBD space moving forward.





Food

Surprisingly the food sector took a bit of dip in Q2. Typically, the food and beverage category tends to perform well, even during recessions, because people still need to spend money in this category. Even with a bit of downturn, a few trends continue:

- The plant-based food industry has been growing dramatically with three-year growth up 54% and over \$7.4 billion in sales in 2021, according to Plant Based Foods Association. This trend was apparent in Q2 with a number of deals related to plant-based food including the acquisitions of Primient, Artesa, and ForA:Butter.
 - Primient – which makes and sells nutritive sweeteners, industrial starches, acidulants, and other corn-derived products from plant-based, renewable sources – was acquired by KPS Capital Partners; Artesa, which turns chickpeas into protein powder, was bought by Tate & Lyle; and organic dairy brand ForA:Butter was acquired by AAK Foodservice.
- Makers of dietary supplements also garnered investors' and buyers' interest in Q2, with Health Wright Products being acquired by International Flavors & Fragrances, and Kainos Capital buying Microbe Formulas, a maker of health supplements intended for full-body detoxification.



Outdoor Sports

Where much of the investment in outdoor sports companies during Q1 focused on technology, this past quarter painted a different picture of what investors and acquiring companies are looking for from this health and wellness category. They're gravitating to companies that provide physical products that help consumers enjoy the outdoors, brands that arrange outdoor experiences, and those that help make the connection between the outdoors and home – a trend that's picked up steadily throughout the past two years.

The key deals included an investment in Hyperlite Mountain Gear which makes backpacks, tents, kits, and outdoor accessories that use minimalist designs and tough materials; outdoor adventure service provider Go Ape USA's acquisition by Sun Capital; and Miss Kitty's Fishing Getaways acquisition by VTrips. In sticking with a similar theme of investing in companies that allow customers to enjoy the outdoors, NXTLVL Marine acquired Austin Boats and Motors, a distributor and supplier of recreational goods for boats and fliteboards.





Q2 2022 TOP DEALS

Company Name	Deal Size (millions)	Investors	Deal Type
Tivity Health	2,000	Stone Point Capital	Buyout/LBO
Primient	852	KPS Capital Partners	Buyout/LBO
Jafra Cosmetics International	255	BetterWare de México	Merger/Acquisition
Dorot Gardens	23	Diplomat Holdings	Merger/Acquisition
True Elements	11	Marico Ltd	Merger/Acquisition
Active8 Software	7	Roller	Merger/Acquisition

WHAT'S NEXT?

The global wellness industry is forecast to continue expanding. The pandemic made people more aware of the general risk of disease and is driving a trend toward healthier lifestyles like clean eating, exercise, weight management, and lower stress. While the M&A headwinds mentioned earlier remain, expect businesses in sectors that are considered strong in recessionary environments (such as beauty) to continue to perform more strongly than those that are considered discretionary (e.g. boutique fitness).



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