



health&wellnessREPORT

INDUSTRY OVERVIEW

The first half of 2014 M&A nearly set a record in terms of deal activity, as almost every facet of the category saw transactions. 24 Hour Fitness led the charge with the largest deal of the quarter; but there were also four large nutritional supplement manufacturing deals (Twinlab, Nutri-Force, Cytosport, and Betancourt Nutrition); several deals in natural personal products, and even considerable activity in the country club, golf course, and leisure facility spaces.

Despite an expected slowdown in disposable income and consumer spending for the second half of 2014, capital seems to be attracted to the health & wellness industry in the middle market. The demographics are favorable too; with a large chunk of the population aging, and health insurance carriers providing incentives for payors to lead healthy, active lifestyles, all things nutrition and health are becoming staples in the consumer basket.

With healthcare costs rising both in drugs and services, look for continued M&A activity in natural products, nutritional supplements, and exercise methods and facilities, as "smart capital" becomes more and more inclined to fund this category's growth.

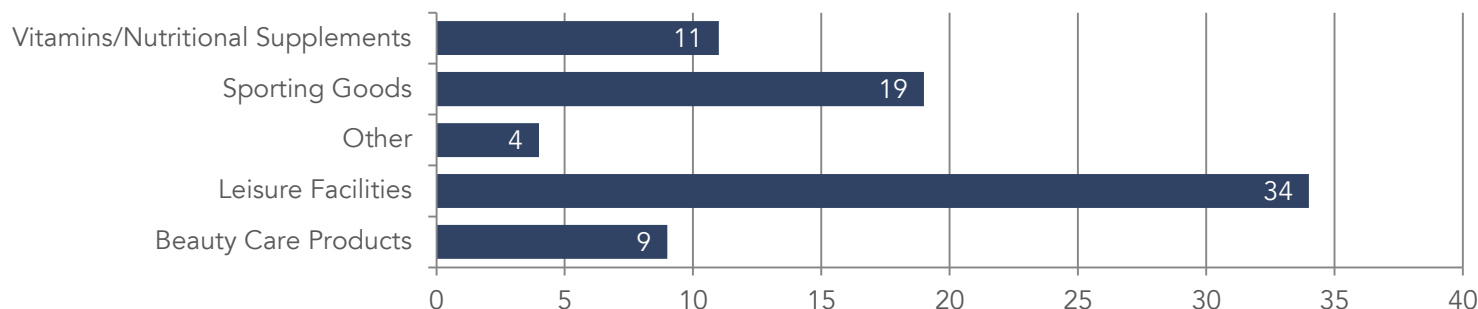
If you have any questions please contact us.

- Travis Conway, Director (tconway@sdrventures.com) - Ben Rudman, Vice President (brudman@sdrventures.com)

TRANSACTION HIGHLIGHTS

TRANSACTIONS

BY SEGMENT (Q2)

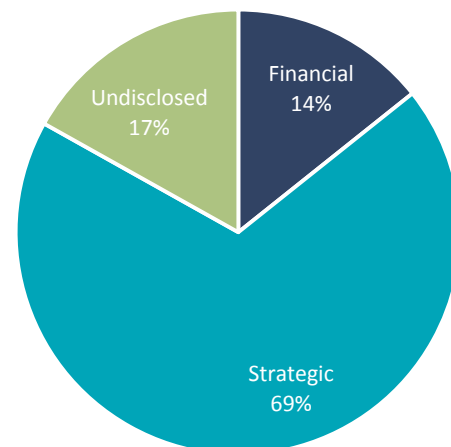


Source: CapIQ

STRATEGIC VS. FINANCIAL TRANSACTIONS

HIGHLIGHTS

STRATEGIC ACQUISITIONS	<p>6.9.14 In two moves up the supply chain, Vitamin Shoppe announced two acquisitions: the first Nutri-Force Nutrition, a leader in private label supplement manufacturing, and the second, Betancourt Nutrition a branded producer of bodybuilding supplements. The Nutri-Force deal was for \$80 million, including a \$5 million earnout.</p>
FINANCIAL ACQUISITIONS	<p>4.18.14 24 Hour Fitness has been acquired by AEA Investors, Fitness Capital Partners, and the Ontario Teachers' Pension Plan for \$1.9B, in a deal that will result in the company's 3rd CEO in as many years.</p>
	<p>6.12.14 TwinLab is preparing to make two acquisitions, it announced earlier this month. The Company raised \$57 million in exchange for 38% of the Company from Capstone Financial Group (OTCBB: CAPP).</p>



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TRANSACTION ACTIVITY

Date	Target	Buyers	Target Description	Transaction Comments
6/2/2014	Kenra Limited and Alterna Holdings Corp. and Sexy Hair Concepts, LLC	Henkel AG & Co. KGaA	Branded skin and beauty care products	Henkel AG & Co. KGaA (DB:HEN3) signed an agreement to acquire Kenra Professional, LLC, Alterna Holdings Corp. and Sexy Hair Concepts, LLC from TSG Consumer Partners for €270 million. The three companies reported combined sales of €140 million in 2013.
5/30/2014	Topgolf International, Inc.	Private Investors	Entertainment and golf venue	TopGolf International, Inc. announced that it will raise \$25,000,000 in a round of funding on May 30, 2014. The company will issue common stock pursuant to exemption provided under Regulation D.
5/29/2014	Pangea Naturals Inc.	Private Investors	Plant based beauty products	Pangea Naturals Inc. announced that it will receive \$4,720,603 in funding on May 29, 2014. The company will issue equity and an option, w warrant or other right to acquire another security in the transaction. The company will issue securities pursuant to exemption provided under Regulation D.
5/14/2014	Genius Brands International, Inc.	Wolverine Asset Management, LLC; Wolverine Flagship Fund Trading Limited	Recreational media for kids up to age 11	Genius Brands International, Inc. (OTCBB:GNUS.D) announced that it has entered into securities purchase agreement for private placement of 6,000 shares of its 0% series A convertible preferred stock led by new investor Wolverine Flagship Fund Trading Limited at \$1,000 per share for gross proceeds of \$6,000,000 on May 14, 2014.
5/9/2014	RAR Beauty, LLC	Joey New York, Inc.	Branded skin and beauty care products	Joey New York, Inc. (OTCPK:JOEY) entered into an acquisition agreement to acquire 100% of the membership interests of RAR Beauty, LLC (RAR) from Joey Chancis and Richard Roer for \$3 million on May 1, 2014. Pursuant to the agreement, Joey New York will issue promissory notes totaling \$3 million due in twenty four months at 5%.
4/29/2014	CornerStone Research & Development, Inc.	F.H.G. Corporation (dba Integrity Nutraceuticals)	Private label nutritional supplements	F.H.G. Corporation acquired CornerStone Research & Development, Inc. from Sun Capital Partners, Inc. and others on April 29, 2014. Sierra Income Corporation funded an originated senior secured first lien term loan and equity investment to facilitate the transaction.

Source: CapIQ

US HEALTH & WELLNESS M&A ACTIVITY

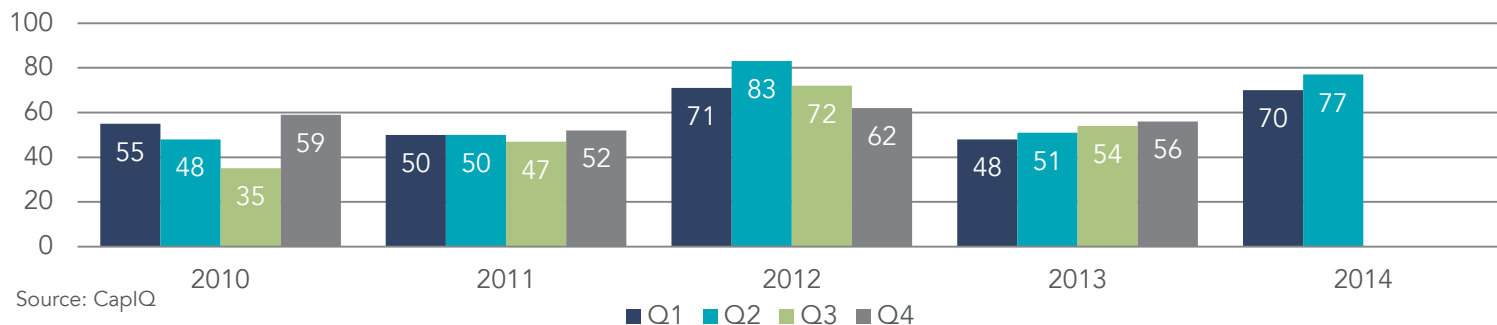


Source: CapIQ

*2012 excludes Nestle's \$11.9B acquisition of Pfizer Nutrition Inc.

HEALTH & WELLNESS TRANSACTIONS

OF TRANSACTIONS BY QUARTER



Source: CapIQ

*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the industry.



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PUBLIC BASKET

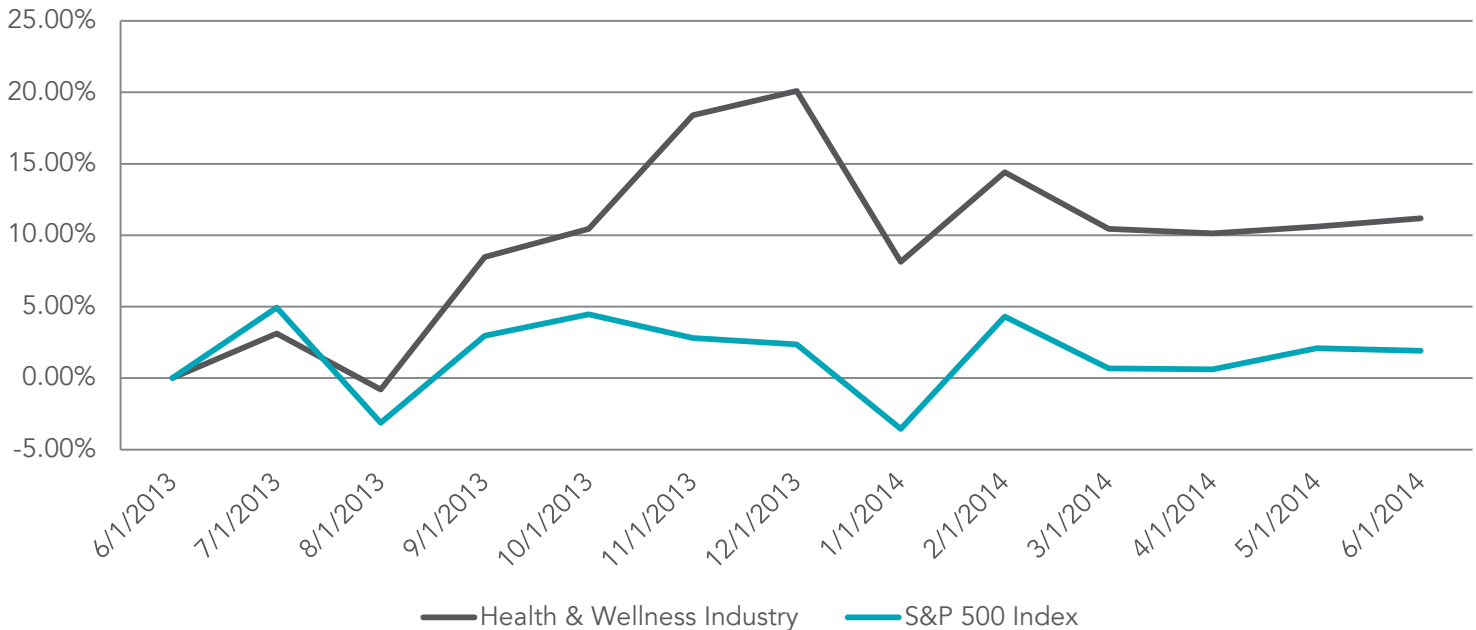
The Leisure, Health, and Wellness leaders across “pure-play” categories all have one thing in common in 2014: they are down. This is not unique just for this basket either. Dick’s Sporting Goods, Lulu Lemon, and Revlon are all leaders in name, but down considerably as well. Whether retail, textile accessories, event venues, gyms, sporting goods, or nutritional supplements, the public basket is down as of Q2 2014.

An expected slowdown in consumer spending for the second half of 2014 has caused it to be a tough year for stocks in this industry, but long term consumer spending is expected to be favorable, perhaps boding well for stocks in this basket in the future.

Company	Symbol	State	Market Cap (\$ in Mil)	Stock Price			Price/ LTM EPS	Price/ Book	Price/ Rev	Price/ EBITDA
				Price	Month Change	YTD Change				
Avon Products Inc.	NYSE:AVP	NY	\$ 6,304	\$ 14.63	2.34%	(15.07%)	23.9x	6.9x	0.8x	10.8x
Black Diamond, Inc.	NasdaqGS:BDE	UT	\$ 370	\$ 11.30	4.82%	(15.23%)	NM	1.5x	2.0x	94.1x
Brunswick Corporation	NYSE:BC	IL	\$ 3,912	\$ 42.22	(2.04%)	(8.34%)	22.0x	3.6x	1.1x	10.1x
Cabela's Incorporated	NYSE:CAB	NE	\$ 4,369	\$ 62.24	1.65%	(6.63%)	23.0x	2.7x	2.1x	17.9x
Callaway Golf Co.	NYSE:ELY	CA	\$ 640	\$ 8.29	3.30%	(1.72%)	81.3x	1.9x	1.0x	18.4x
Cyanotech Corp.	NasdaqCM:CYAN	NA	\$ 24	\$ 4.50	(7.22%)	(8.72%)	96.9x	1.2x	0.9x	15.4x
Herbalife Ltd.	NYSE:HLF	NY	\$ 6,391	\$ 64.88	0.08%	(17.56%)	16.5x	156.7x	1.4x	9.0x
Johnson Outdoors Inc.	NasdaqGS:JOUT	WI	\$ 257	\$ 25.77	3.29%	(4.38%)	19.7x	1.2x	0.6x	8.7x
Life Time Fitness Inc.	NYSE:LTM	MN	\$ 1,986	\$ 48.70	(8.46%)	3.62%	16.0x	1.7x	2.4x	8.3x
Nike, Inc.	NYSE:NKE	OR	\$ 68,214	\$ 77.53	0.81%	(1.41%)	31.8x	6.3x	2.3x	15.3x
Sally Beauty Holdings Inc.	NYSE:SBH	TX	\$ 4,060	\$ 25.05	(2.22%)	(17.14%)	16.8x	NM	1.5x	9.6x
Town Sports International Holding	NasdaqGM:CLUB	NY	\$ 160	\$ 6.65	9.56%	(54.95%)	29.3x	NM	0.9x	5.0x
Average			\$ 8,057		0.49%	(12.29%)	34.3x	18.4x	1.4x	18.6x

Source: CapIQ

HEALTH & WELLNESS INDUSTRY VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ



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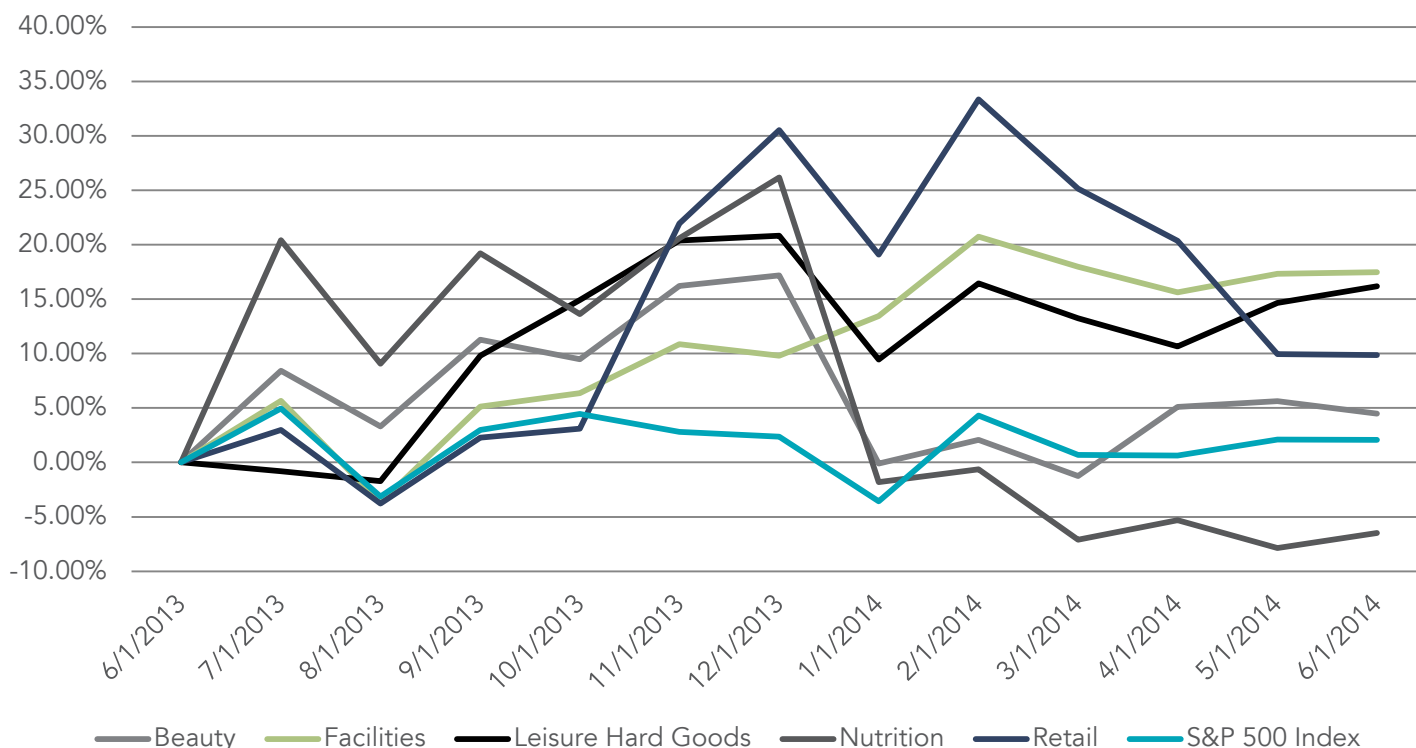
INDUSTRY SEGMENTS

Each of the segments in health and wellness has had a difficult year, with the exception of facilities. Facilities have had a decent first half of the year led by amusement park segment leader, Six Flags (NYSE: SIX). Otherwise, every other segment including apparel, retail, hard goods, and nutrition, has had a difficult year to date. Specialty leaders across many segments are down. In health and beauty, Avon Products is down 15.6% and Sally Beauty Supply is down 17% year to date. Black Diamond is down 15.8% and Callaway is down 1.3% in the hard goods category. Johnson Outdoors and Cabela's are on split ends of the supply chain in the outdoors category, but are down as well. When entire segments along the supply chain are down, it is generally reflective of consumer behavior. With an impending downturn predicted by many, it could be that consumer confidence is driving these stocks down.

Market Segment	Market Cap	Stock Price Delta			Price/ LTM EPS	Price/ Book	Price/ Sales	Price/ EBITDA
		Month	YTD	LTM				
Beauty	\$ 3,390	(1.1%)	(10.9%)	4.4%	24.96x	17.91x	1.88x	9.95x
Facilities	\$ 1,322	0.1%	7.0%	17.5%	28.70x	15.00x	2.70x	13.42x
Leisure Hard Goods	\$ 5,699	1.1%	(4.1%)	15.9%	28.49x	3.43x	1.35x	16.59x
Nutrition	\$ 1,318	1.4%	(26.0%)	(6.6%)	23.75x	16.76x	1.66x	8.14x
Retail	\$ 2,099	1.1%	(14.9%)	11.1%	32.93x	2.10x	0.50x	9.65x
Industry Average	\$ 2,923	0.5%	(7.4%)	11.2%	21.72x	8.09x	1.21x	11.50x
S&P 500 Average	\$ 36,146	1.9%	6.1%	1.9%	28.33x	4.79x	3.20x	11.80x

Source: CapIQ

HEALTH & WELLNESS SEGMENTS VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ



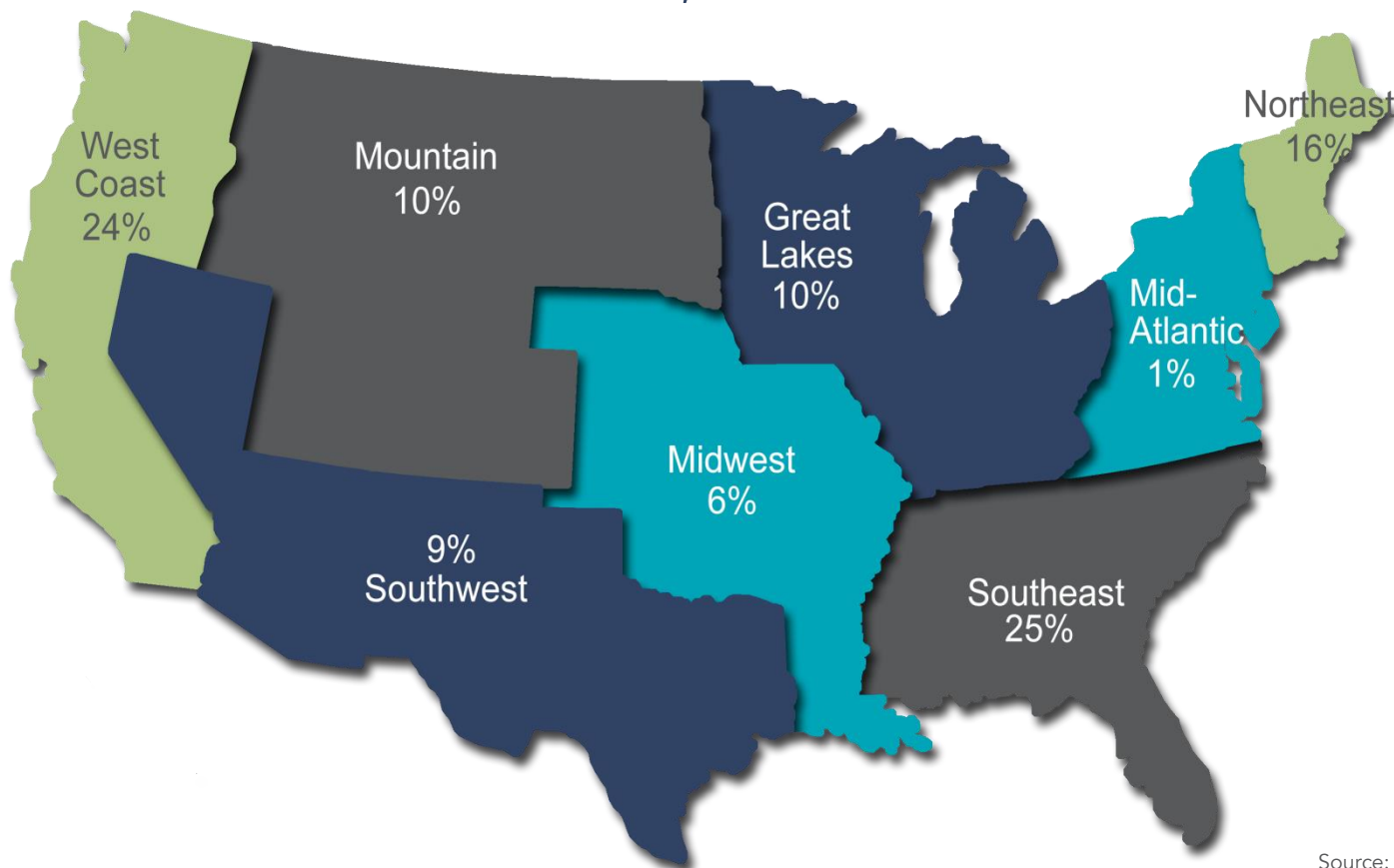


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INDUSTRY GEOGRAPHY

COMPANIES BY REGION

HEALTH & WELLNESS COMPANIES BY REGION AS OF JUNE 30, 2014



Source: CapIQ

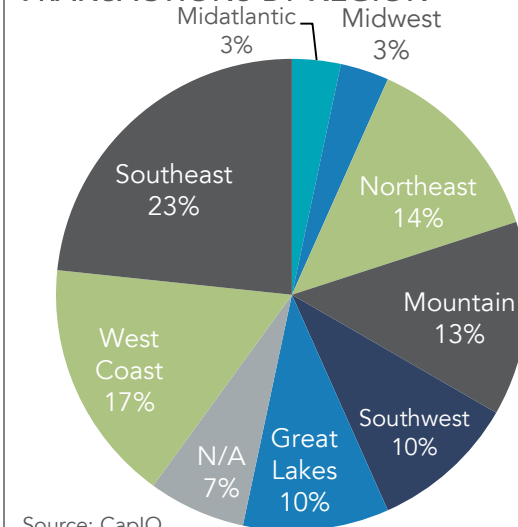
COMPANIES BY SIZE

State	\$ 0 - 5 Revenue	\$5 - 10 Revenue	\$10 - 25 Revenue	\$25 - 50 Revenue	\$50 - 100 Revenue	\$100+ Revenue
AZ	190	2	1	1	1	2
CO	215	0	3	2	2	9
KS	56	0	0	1	0	1
ND	17	0	0	0	0	0
NE	31	0	1	0	0	1
NM	27	0	0	0	0	0
OK	67	0	0	0	0	0
SD	21	0	0	0	0	0
TX	504	0	4	7	6	13
UT	142	0	1	0	0	11
WY	15	0	1	0	0	0

*Revenue in millions

Source: CapIQ

TRANSACTIONS BY REGION



Source: CapIQ

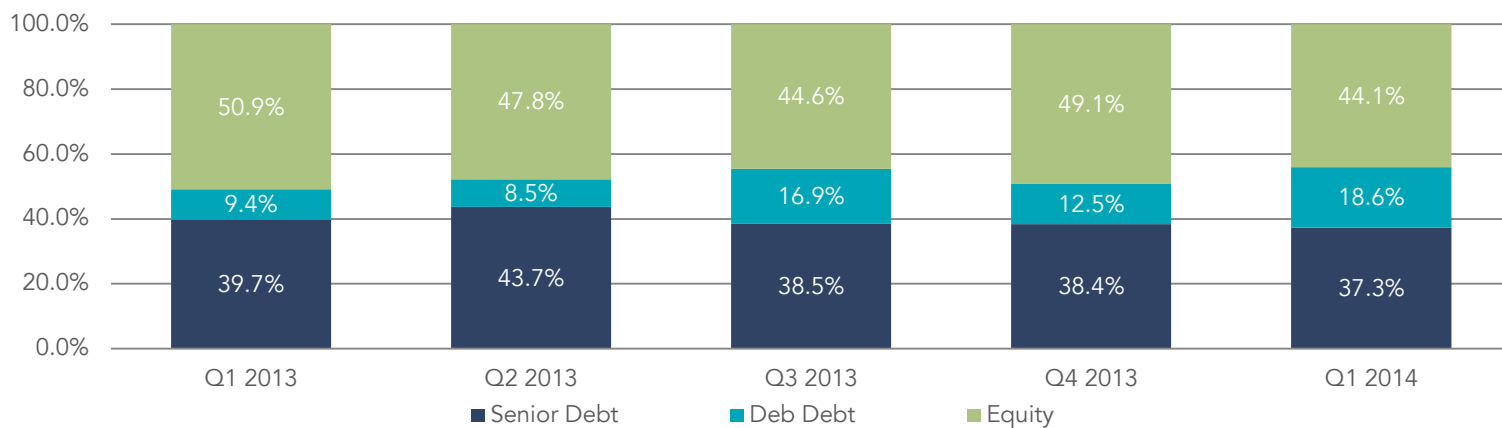
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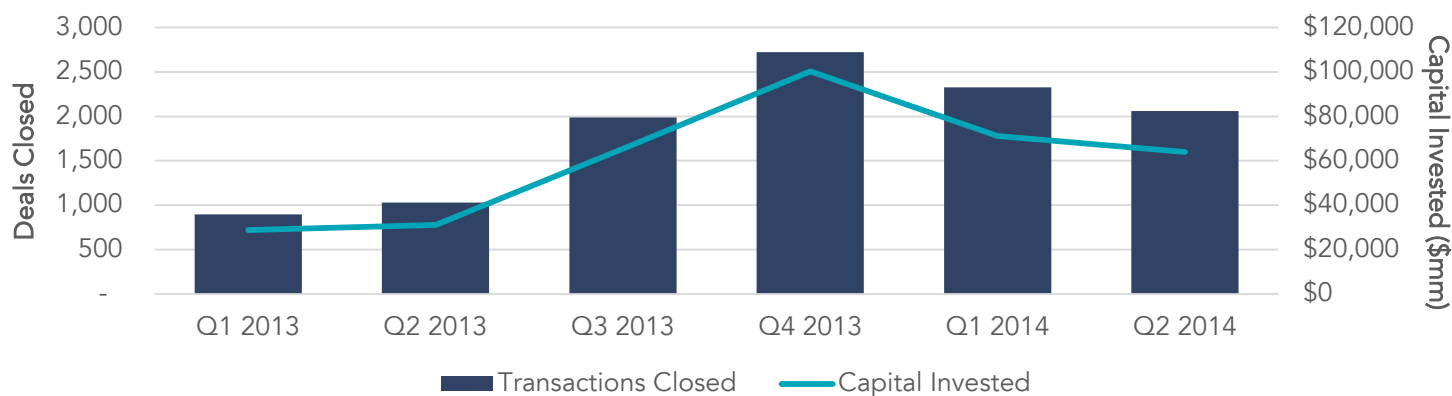
M&A MARKET ACTIVITY – OVERALL LOWER MIDDLE MARKET

CAPITAL STACK



Source: GF Data

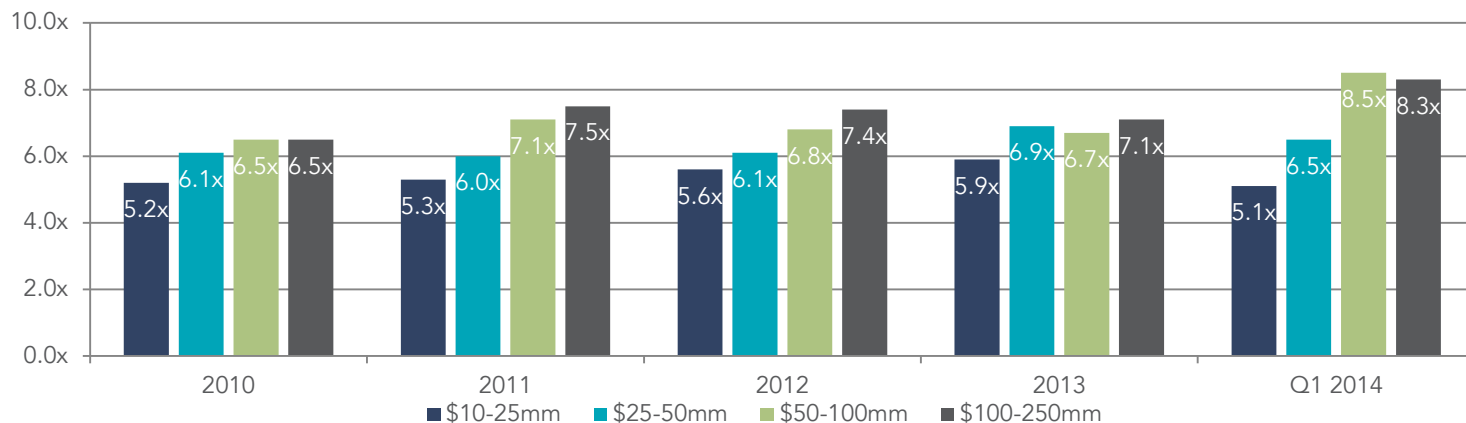
US MIDDLE MARKET M&A ACTIVITY



Source: CapIQ

TRANSACTION MULTIPLES

EBITDA MULTIPLES BY TRANSACTION SIZE



*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the lower middle market.

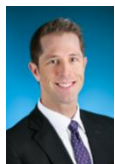
Source: GF Data



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ABOUT SDR VENTURES

SDR Ventures is a boutique investment bank serving privately held business owners of companies with values up to \$300 million. Operating beyond the confines of a traditional investment bank, SDR's approach of Thinking Like OwnersSM helps business owners maximize value in their business. SDR offers transaction advisory, capital formation, strategic advisory and performance exchange services.



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SERVICES

TRANSACTION ADVISORY

Buy Side

Running a proven process effective at generating responses, identifying "off-the-radar" opportunities, negotiating and closing accretive acquisitions.

Sell Side

Our process is designed to identify the "right" buyer and maximize shareholder value for our clients.

CAPITAL FORMATION

Private Capital Placement

An effective and efficient process negotiating favorable debt and equity with the right capital partner for our clients

RECENT TRANSACTIONS

<p>JULY 2014</p>  <p>Has been acquired by</p> <p>REVLSTOKE CAPITAL PARTNERS LLC</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p>  <p>Has been acquired by</p>  <p>FRONTENAC COMPANY</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>APRIL 2014</p>  <p>Has been acquired by</p> <p>Barkwood, Inc.</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>MARCH 2014</p> <p>PAN Capital Holdings LLC</p> <p>Commercial real estate loan provided by</p>  <p>Hexagon</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>NOVEMBER 2013</p>  <p>Has acquired</p> <p>A Business Unit of a Public Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>OCTOBER 2013</p>  <p>Debt Financing provided by</p>  <p>CoBiz Structured Finance CoBiz Financial</p> <p>SDR Ventures CAPITAL FORMATION</p>
<p>SEPTEMBER 2013</p>  <p>SDR Ventures CAPITAL FORMATION</p>	<p>SEPTEMBER 2013</p>  <p>Has acquired</p>  <p>Zeus & Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>NOVEMBER 2012</p>  <p>Western Paper Distributors</p> <p>Has acquired</p>  <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>JUNE 2012</p>  <p>AtLast Fulfillment</p> <p>Has been acquired by</p>  <p>newoistics SHIPPING HAS A NEW HOME</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>MAY 2012</p> <p>Cohio Ventures LLC</p> <p>Has acquired</p>  <p>Mountain Tech</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>MARCH 2012</p>  <p>Denney Transport, LTD</p> <p>Capital provided by</p>  <p>Mutual of Omaha Bank</p> <p>SDR Ventures CAPITAL FORMATION</p>

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