



health&wellnessREPORT

INDUSTRY OVERVIEW

The health and wellness industry remained stable in Q4 2014 since improving in Q3. America's popular healthy lifestyle trend has greatly benefited new and niche companies in this industry and offered economic rejuvenation for the declining leisure hard goods sector. Growing participation in sports (at 0.9% annually) and increased government investment in school athletic programs have supported sporting goods stores and manufacturers this quarter. Many sporting companies have focused on expanding their online sales activity in order to better target the growing adolescent market. An increasingly active baby boomer generation, rising per capita disposable income, and health trends have also sparked renewed growth in the gyms and workout facilities sector. Niche workout facilities and equipment have found ample growth throughout 2014, as revealed in the \$10 million investment in internet-connected indoor cycling retailer Peloton Interactive.

The vitamin and supplement sector continues to drop overall at the close of the year, with large players Nu Skin, Avon, and Herbalife facing major stock price dips. This could largely be tied to a decline in the multi-level marketing channel overall, however, as online vitamin retailers witnessed 13.9% growth in 2014 and are receiving high market valuations, as evidenced by the segment's average public valuation of 10.1x TEV/EBITDA. Beauty Care sector performance plateaued after a 6-month decline in Q4 due to slow economic recovery, product innovation, and market expansion. Industry leaders continue to seek consolidation in order to expand their product offerings and reach the growing teen and male markets. Although growing low-cost imports have hurt domestic manufacturers throughout the industry, economic recovery and global consumer trends offer opportunities for growth in the upcoming year.

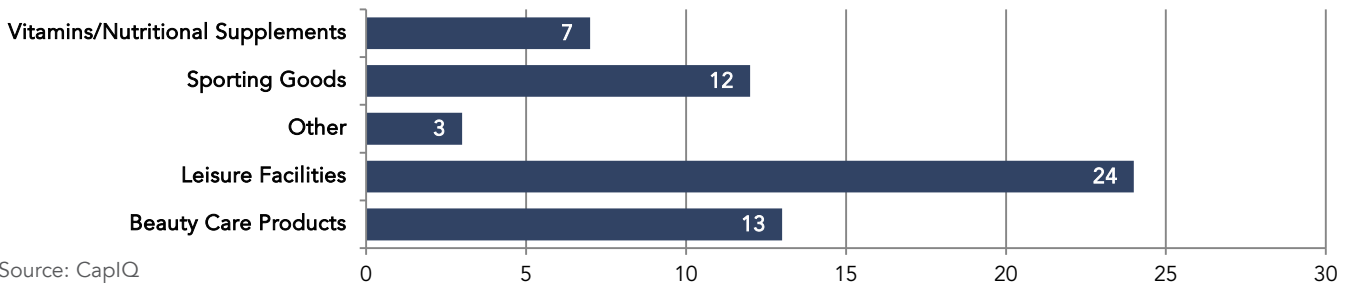
Travis Conway, Director (tconway@sdrventures.com)

- Ben Rudman, Director (brudman@sdrventures.com)

TRANSACTION HIGHLIGHTS

TRANSACTIONS

BY SEGMENT (Q4)

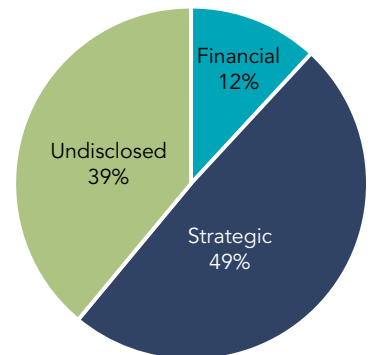


Source: CapIQ

STRATEGIC VS. FINANCIAL TRANSACTIONS

HIGHLIGHTS

STRATEGIC TRANSACTIONS	12.22.14	The University of Mississippi Medical Center has acquired the Courthouse fitness centers for approximately \$9.26 million. The transaction, part purchase/sale and part gift, will give UMMC immediate presence in the field of medically related health and wellness programs.
FINANCIAL TRANSACTIONS	12.15.14	TPG Growth has acquired a minority stake in Counter Brands, LLC , for approximately \$21.27 million.
	10.23.14	Heritage Golf Group and its partner Tower Three Partners acquired Champions Retreat Golf Club , in Evans, Georgia, for approximately \$6.64 million.



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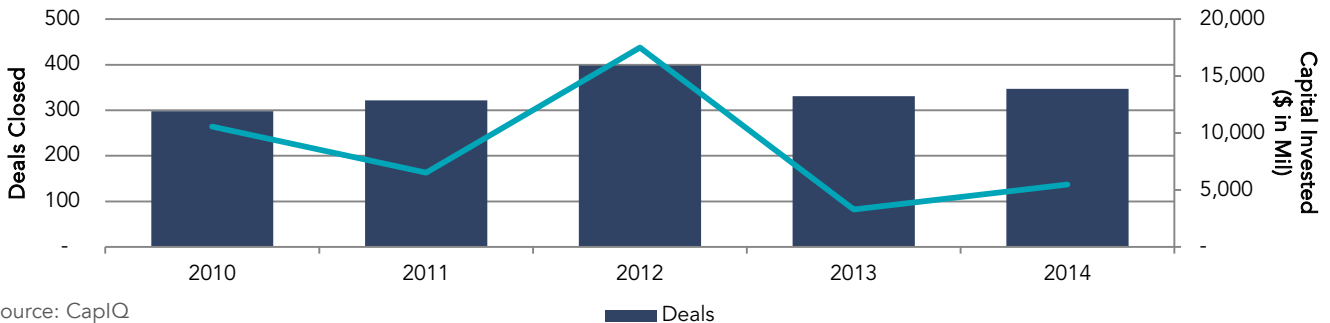
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TRANSACTION ACTIVITY

Date	Target	Buyers	Target Description	Transaction Comments
12/29/2014	Lake Barrington Field House	Canlan Ice Sports. (TSX:ICE)	Leisure Facilities	Canlan Ice Sports Corp. (TSX:ICE), industry-leading providers of recreational sports and entertainment facilities across North America, announced the acquisition of the Lake Barrington Field House; a 175,000 square foot indoor sports complex. The transaction is scheduled to close on or before January 31, 2015.
12/4/2014	Virtuix Inc.	Multiple	Sporting Recreational Goods	Virtuix, the developer of the popular and highly anticipated Omni virtual reality treadmill, announced that it has completed a \$2.7 million investment round. Investors were Radical Investments, Scout Ventures, Scentan Ventures, Western Technology Investments, Tekton Ventures, and 2020 Ventures.
11/21/2014	Alpha Helix Inc.	Nutrogonics, Inc. (OTCPK:NUTT)	Vitamins and Nutritional Supplements	Nutrogonics, Inc. (OTCPK: NUTT) announced that it has signed an LOI to acquire 51% of Alpha Helix, Inc., a Las Vegas-based innovator in the sports performance industry, for an undisclosed amount.
10/29/2014	22 Golf Properties	C-BONS International Golf Group	Leisure Facilities	C-BONS International Golf Group (CBIGG) announced that it has completed the acquisition of 22 golf properties. The terms of the deal were not disclosed.

Source: CapIQ

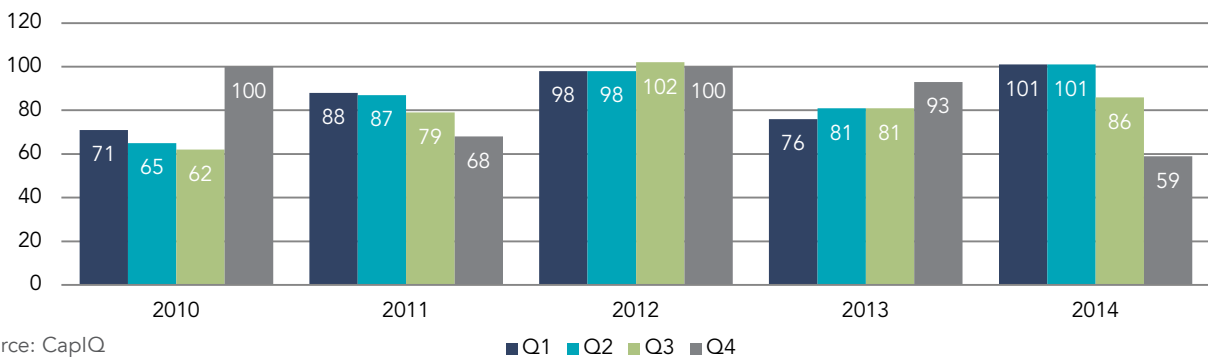
US HEALTH & WELLNESS M&A ACTIVITY



Source: CapIQ

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

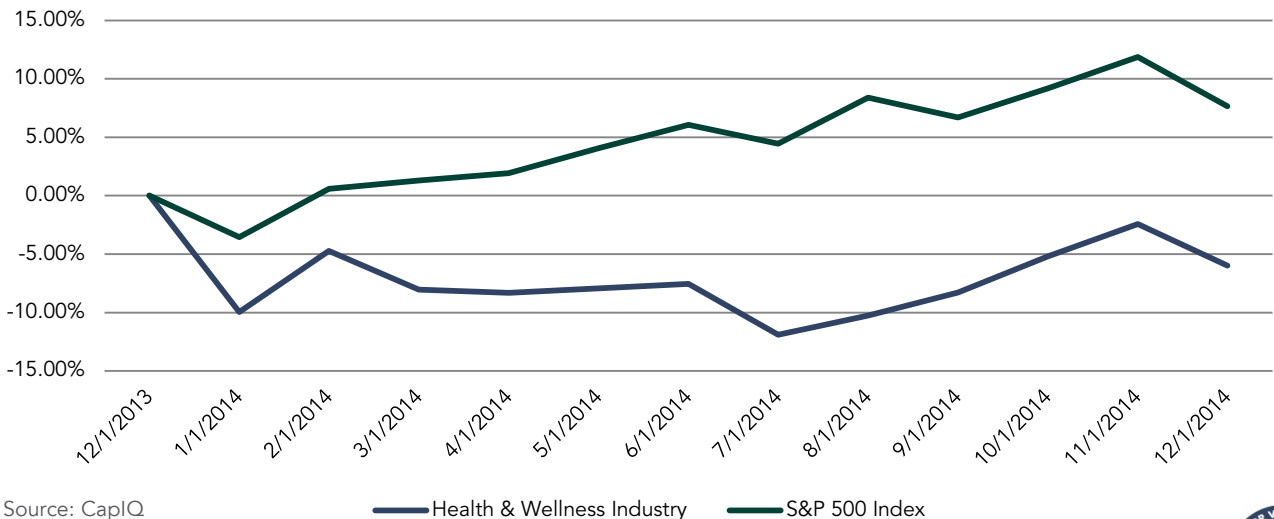
Though signs of a potential uptick in professional services valuations began to emerge between July and November 2014, the overall pull back in the broader S&P in November 2014 prevented the professional services sector from breaking into positive territory for the year. Beauty care giant Avon Products ended the year with over 45% year-to-date stock price drops due to rising costs and ineffective turnaround attempts. Herbalife, a nutrition and weight management company, found over 50% stock price decline year-to-date after negative publicity caused profit margins to contract by almost 75% between June and September of 2014. Sporting goods companies Black Diamond and Cabela's are also facing year-to-date stock price drops of over 20%, due to volatile earnings and falling revenue forecasts. In contrast, technologically innovative companies such as microalgae supplement retailer Cyanotech, found year-to-date growth this quarter as consumer trends increasingly lean to niche and pioneer health products. Additionally, gym facility giant Life Time Fitness and sporting goods leader Nike found approximately 14% and 20% stock price growth in 2014 respectively. The health and wellness public basket's performance remained highly mixed at the close of 2014; however, with the growing trend of healthy lifestyle and expanding demand for health and wellness products globally, the industry holds ample opportunity for growth in 2015.

Company	Symbol	State	Market Cap		Stock Price			Price/ LTM EPS	Price/ Book	TEV/ Rev	TEV/ EBITDA
			(\$ in Mil)	Price	Month Change	YTD Change					
Avon Products Inc.	NYSE:AVP	NY	\$ 3,977	\$ 9.17	(6.29%)	(46.78%)	14.5x	4.4x	0.6x	8.0x	
Black Diamond, Inc.	NasdaqGS:BDE	UT	\$ 272	\$ 8.39	(7.75%)	(37.09%)	NM	1.0x	1.1x	25.4x	
Brunswick Corporation	NYSE:BC	IL	\$ 4,514	\$ 48.30	(2.78%)	4.86%	22.2x	3.5x	1.1x	9.7x	
Cabela's Incorporated	NYSE:CAB	NE	\$ 3,557	\$ 50.51	(6.88%)	(24.23%)	17.6x	2.0x	2.0x	15.9x	
Callaway Golf Co.	NYSE:ELY	CA	\$ 562	\$ 7.38	(0.40%)	(12.46%)	45.0x	1.7x	0.7x	11.9x	
Cyanotech Corp.	NasdaqCM:CYAN	NA	\$ 33	\$ 5.95	(9.02%)	20.69%	NM	1.6x	1.1x	52.3x	
Herbalife Ltd.	NYSE:HLF	NY	\$ 3,411	\$ 37.77	(12.68%)	(52.01%)	11.5x	NM	0.9x	7.0x	
Johnson Outdoors Inc.	NasdaqGS:JOUT	WI	\$ 259	\$ 27.02	(10.88%)	0.26%	15.5x	1.3x	0.5x	5.8x	
Life Time Fitness, Inc.	NYSE:LTM	MN	\$ 2,093	\$ 53.74	(2.96%)	14.34%	17.9x	1.9x	2.6x	9.1x	
Nike, Inc.	NYSE:NKE	OR	\$ 82,214	\$ 94.61	(4.71%)	20.31%	36.8x	7.4x	2.7x	17.8x	
Sally Beauty Holdings Inc.	NYSE:SBH	TX	\$ 4,781	\$ 30.53	(3.54%)	0.99%	20.0x	NM	1.7x	10.9x	
Town Sports International Holdings Inc.	NasdaqGM:CLUB	NY	\$ 146	\$ 6.13	(9.32%)	(58.47%)	NM	NM	0.7x	5.5x	
Average			\$ 8,818		(6.43%)	(14.13%)	22.3x	2.7x	1.3x	15.0x	

Source: CapIQ

HEALTH & WELLNESS INDUSTRY VS. S&P 500

RUNNING 12 MONTHS



Source: CapIQ



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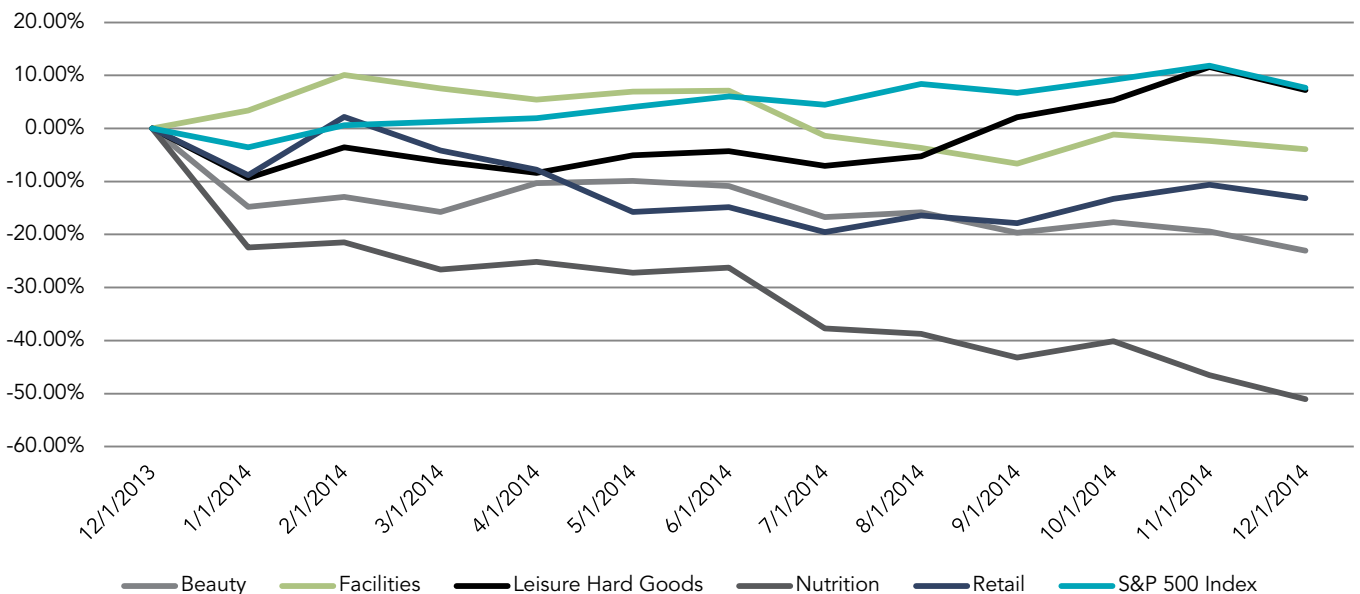
INDUSTRY SEGMENTS

Leisure hard goods, including sporting goods and athletic footwear, excelled in Q4 of 2014, catching up with the S&P 500 Index in November 2014. The sector's overall improvement can largely be attributed to the healthy lifestyle trend, increased participation in sports, expansion of online retailing, and government incentives. The beauty, facilities, and retail sectors stocks have somewhat stabilized headed into 2015. Continued economic recovery, product and service consolidation, product innovation and health trends offer a positive outlook for these segments in 2015. The vitamin and supplement sector continued to witness over 30% drops in stock prices in Q4, which can be attributed to large players such as Herbalife and Avon stock prices falling over 45% since the start of the year. However, growth in mainstream consumer interest in health and wellness is predicted to boost sector growth in 2015 and prompt transactional activity. Overall industry valuations remain stable but lower than the S&P 500 average, offering buyers an excellent opportunity for access into a promising industry.

Market Segment	Market Cap	Stock Price Delta			Price/ LTM EPS	Price/ Book	TEV/ Sales	TEV/ EBITDA
		Month	YTD	LTM				
Beauty	\$ 2,928	(4.4%)	(23.0%)	(23.0%)	22.94x	5.13x	1.91x	10.88x
Facilities	\$ 1,291	(1.6%)	(3.9%)	(3.9%)	38.36x	4.31x	2.63x	11.68x
Leisure Hard Goods	\$ 6,709	(3.9%)	7.3%	7.3%	23.60x	3.32x	1.25x	11.20x
Nutrition	\$ 924	(8.5%)	(51.0%)	(51.0%)	17.39x	3.89x	0.95x	10.08x
Retail	\$ 2,284	(2.8%)	(13.1%)	(13.1%)	31.84x	2.64x	0.71x	11.90x
Industry Average	\$ 3,126	(3.6%)	(6.0%)	(6.0%)	25.08x	4.30x	1.46x	19.87x
S&P 500 Average	\$ 36,553	(3.8%)	7.6%	7.6%	27.09x	4.82x	3.16x	11.43x

Source: CapIQ

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



Source: CapIQ

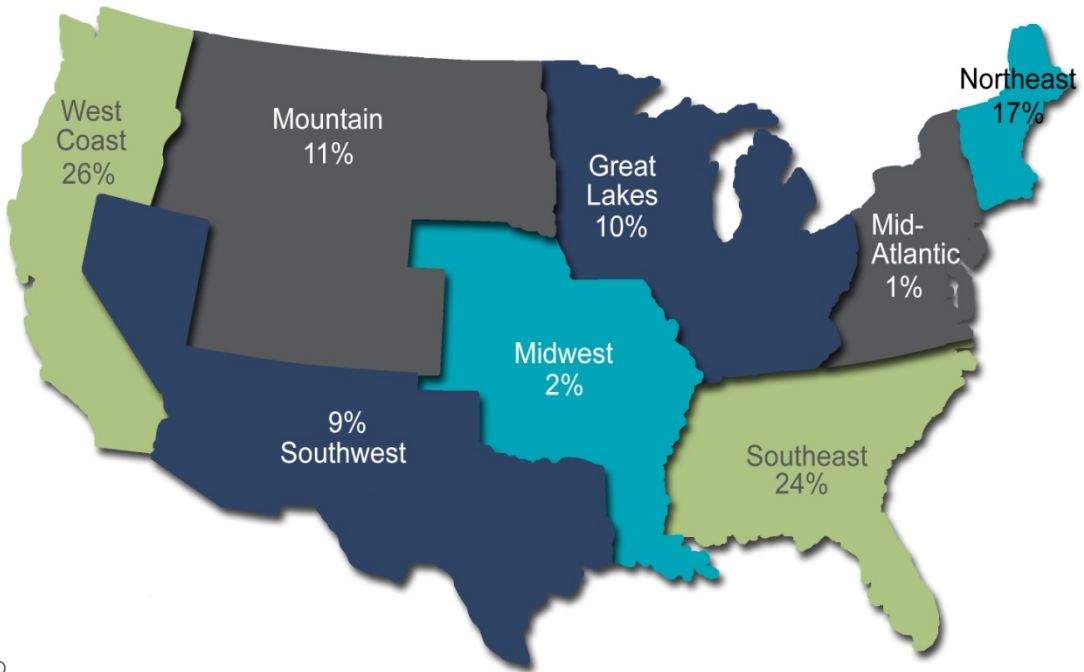


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INDUSTRY GEOGRAPHY

COMPANIES BY REGION

HEALTH & WELLNESS COMPANIES BY REGION AS OF DECEMBER 31, 2014



Source: CapIQ

COMPANIES BY SIZE

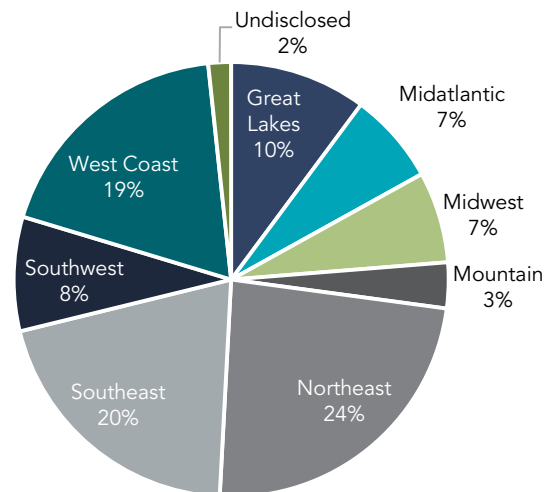
State	Undisclosed	\$ 0 - 5 Revenue	\$5 - 10 Revenue	\$10 - 25 Revenue	\$25 - 50 Revenue	\$50 - 100 Revenue	\$100+ Revenue
AZ	136	7	24	22	4	5	4
CO	185	9	27	11	6	1	0
KS	49	3	8	3	2	0	0
ND	12	0	2	0	1	1	1
NE	26	2	2	2	1	0	0
NM	20	2	1	5	1	0	0
OK	44	7	13	3	2	3	0
SD	9	1	5	5	1	0	0
TX	384	19	59	43	13	6	11
UT	107	4	20	16	10	1	2
WY	13	1	2	1	0	0	0

* Revenue in millions

Source: CapIQ

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TRANSACTIONS BY REGION



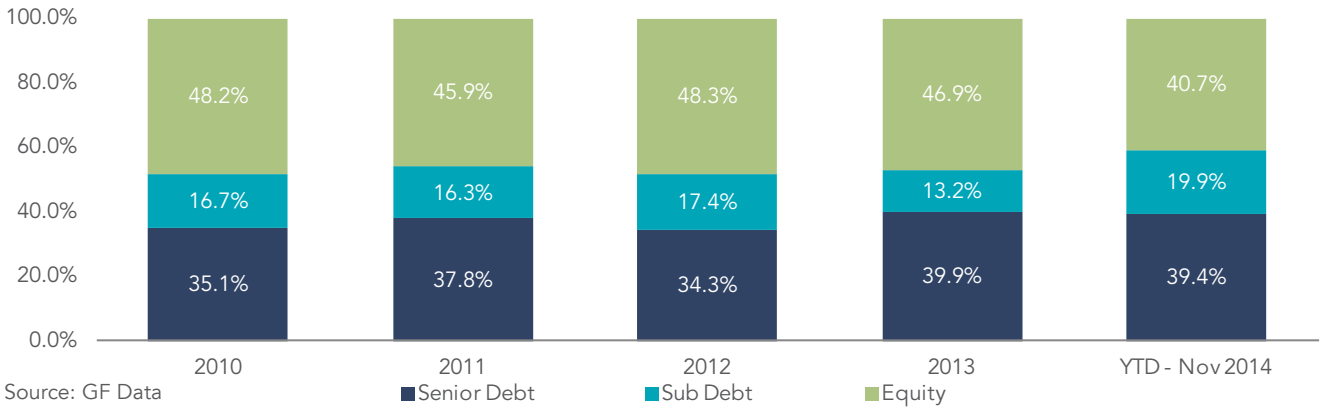
Source: CapIQ



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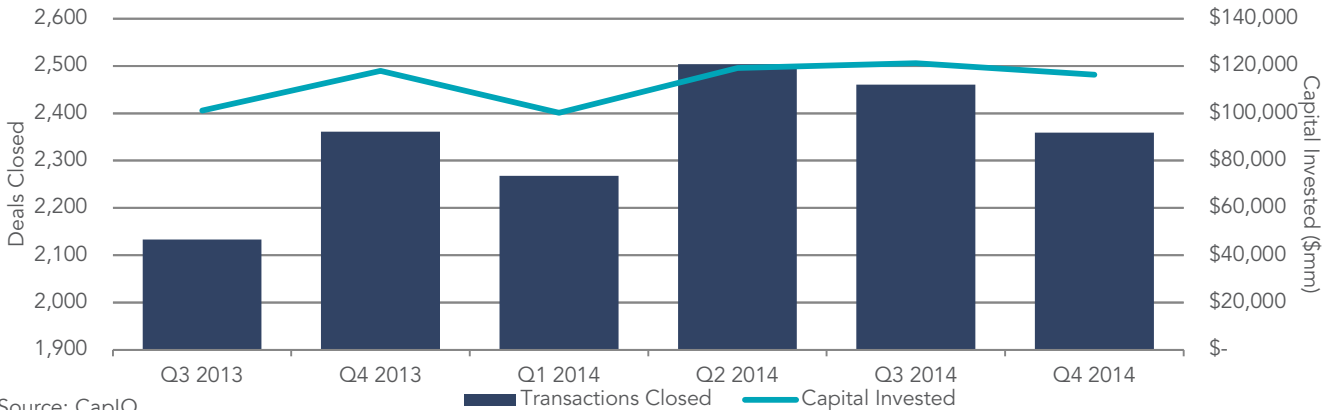
M&A MARKET ACTIVITY, OVERALL LOWER MIDDLE MARKET

CAPITAL STACK - \$10-25 MILLION TEV



Source: GF Data

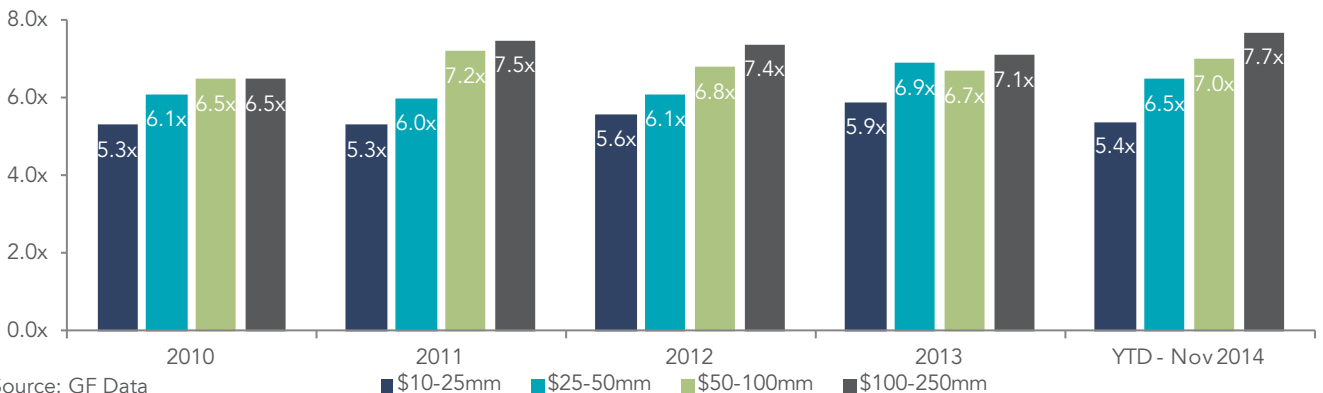
US MIDDLE MARKET M&A ACTIVITY



Source: CapIQ

TRANSACTION MULTIPLES

EBITDA MULTIPLES BY TRANSACTION SIZE



Source: GF Data

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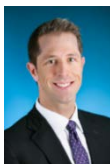




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ABOUT SDR VENTURES

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.

PRIVATE CAPITAL FORMATION

Capital Placement

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

Recapitalization

Whether recapitalizing a majority or minority of your company, we tailor our process to each client’s specific needs to generate multiple options and favorable terms.

RECENT TRANSACTIONS

<p>DECEMBER 2014</p> <p>Deal financing provided by</p> <p>Guaranty Bank and Trust Company</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>OCTOBER 2014</p> <p>Has been acquired by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>AUGUST 2014</p> <p>Has been acquired by</p> <p>Private Investor Group</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>Has completed a equity recapitalization with</p> <p>REVELSTOKE CAPITAL PARTNERS, LLC</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>JULY 2014</p> <p>Has been acquired by</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>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>Deal financing provided by</p> <p>ColBiz Structured Finance ColBiz 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>Has acquired</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>

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