

NORWEST

The Future of Health & Wellness Is Science-Backed



State of Health & Wellness in 2024



Consumer Tailwinds Drive Category Growth

- The global wellness market is **\$1.8 trillion and growing** steadily as consumers now consider health and wellness products essential goods
- Consumers are increasingly demanding efficacious products backed by clinical science
- Post-pandemic, consumers are turning to experts and "docfluencers" who can combat misinformation and provide recommendations for clinically proven products



Active Buyer Universe Keeps Expanding

- Legacy strategic buyers are doubling down on science-backed, doctor-recommended targets
- Major pharmaceutical companies are divesting their consumer health divisions, creating a new set of strategic buyers



Attractive Business Models Drive Premium Valuations

- Products with natural replenishment drive recurring revenue and create high lifetime value customers
- Strong gross margins allow for brands to profitably invest in growth levers such as new product innovation and marketing



There's never been a better time for science-backed health and wellness brands to enter the market – if they follow a winning framework. **Read on for our full thesis and guidance.** ➔

Our Thesis on Science-Backed Health & Wellness



Consumer and Category Tailwinds

Health and wellness spend remains strong as consumers are increasingly proactive and shift preferences to efficacious, science-backed products



Active, Growing Buyer Universe

Traditional buyers remain active while pharma giants spin out their consumer health divisions to capitalize on the meaningful opportunity



Attractive Financial Profile

Recurring revenue models, high gross margins, and strong customer lifetime values drive businesses to be valued at premium multiples

Compelling Consumer Tailwinds

1

Stable,
Growing
Spend

2

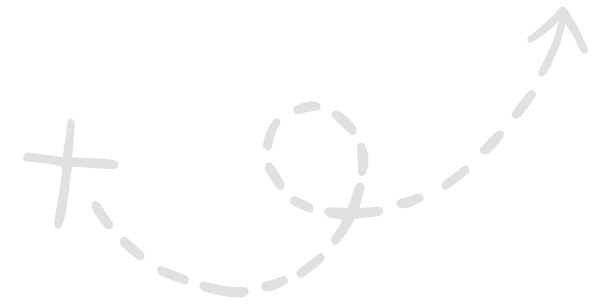
Proactive
Focus on
Consumer
Health

3

Rising
Prioritization
of Efficacy

4

Evolution
of the
Influencer



Tailwinds: Stable, Growing Spend

Consumer Wellness Spend Is Prioritized

- **The global consumer wellness market is \$1.8 trillion** and growing at 5-10% annually
- **82% of U.S. consumers now report wellness as a top or important priority** in their lives, a proportion that has steadily grown

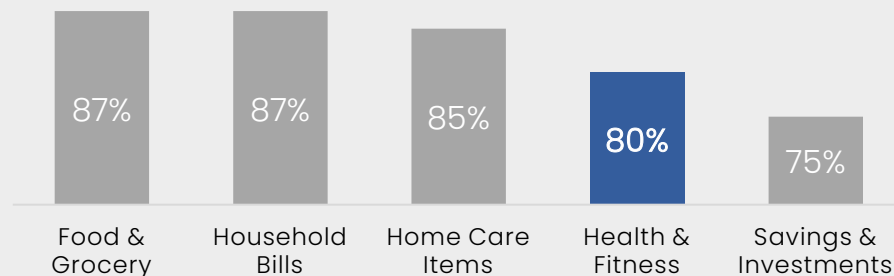
Strong Purchase Intent Across Categories

“Despite hard times, it is clear that **people have redefined health and well-being to be an essential good** and plan to maintain or increase their spend in this area this year, regardless of income levels.”

accenture

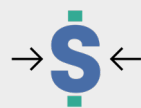
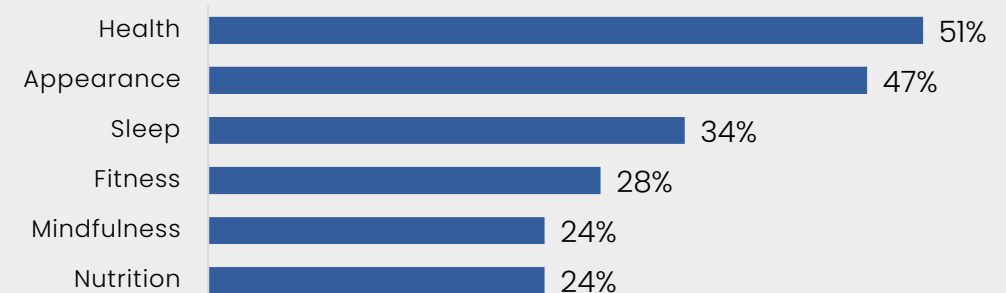
Expected Spend by Category

Percentage of consumers expecting to increase or maintain spend next year



Purchase Intent by Category

Share who purchased products / services in the last year



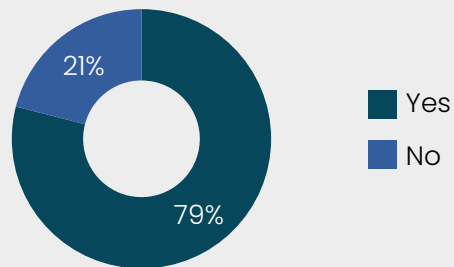
Despite 66% of global consumers feeling financially squeezed, 94% expect to maintain or increase spending on beauty and personal care

Tailwinds: Proactive Focus on Consumer Health

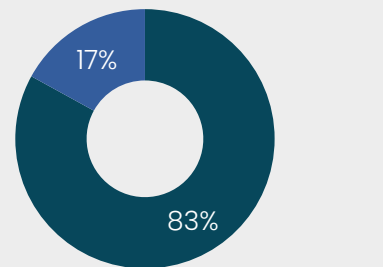
Healthcare and Wellness Are Converging

- By 2040, **60% of U.S. healthcare spending will be dedicated to prevention and wellbeing**, a dramatic shift from 2019 when treatments accounted for 80% of the U.S.'s healthcare spend

Have you made lifestyle changes to prevent future health complications?



Are you willing to buy new OTC meds or VMS to treat wellness needs?



62% of people would curb spending elsewhere before cutting back on preventative health and wellness activities

“

“People’s desire to take more control of their health and well-being is only increasing.

It’s vital for the healthcare industry to continue to explore and partner with consumer-facing companies to improve access, experience and outcomes for people and their healthcare journeys.”

accenture

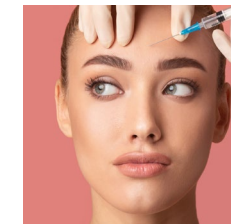
”



11,000 people are on a waiting list for a full body MRI scan focused on preventative health



49% of people buying probiotic food and drinks are not suffering from any symptoms



Botox procedures have **increased 28%** since 2010 amongst 20- to 29-year-olds

Tailwinds: Rising Prioritization of Efficacy



COVID Impact

The protracted impact of COVID has given additional credibility to health and wellness products that can show clear results

+31%

Despite steep declines in makeup sales, L'Oréal's "active cosmetics" division grew by 31% in 2022



Demand for Data-Driven Claims

Brands are expected to anchor their claims in robust scientific evidence underpinned by comprehensive data and clinicals

92%

92% of consumers prioritize product efficacy, vs. 81% that prioritize clean formulations



Highly Informed Consumers

Proactive consumers are educating themselves and increasingly seeking out specific, active ingredients that drive results

+700%

Searches for active ingredients like retinol, hyaluronic acid, niacinamide, etc. were up by 700% on Net-a-Porter between 2020 and 2022



Increasing Distrust

Due to overexposure, there is a perception that claims of natural or clean ingredients are a form of greenwashing

1/3

1/3 of consumers say misinformation online has made them more cautious about the beauty and health products they purchase



Surpassing clean formulation, product efficacy and scientific credibility have become the most important factors for consumers when selecting wellness products

Tailwinds: Evolution of the Influencer

Brand Discovery Is Evolving

21%

of consumers start their search for a product on TikTok

44%

of consumers seek recommendations from a professional (dermatologist, aesthetician, hair stylist)

22%

of consumers seek recommendations from an influencer

Success With Doctors as Influencers

Doctor-Founded Brands



Augustinus Bader
Valued at \$1B by Impala (Nov-22)

DR. BARBARA STURM

Acquired by Puig (Jan-24)

OBAGITM
MEDICAL

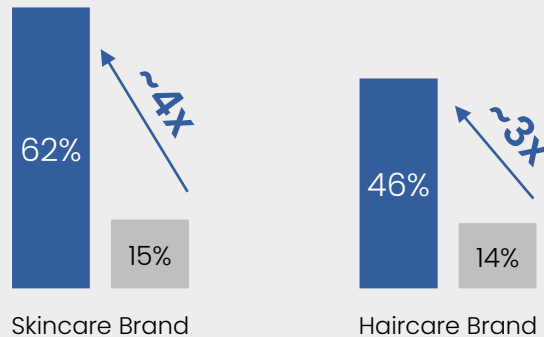
Acquired by Waldencast (Jul-22)

Dr Dennis Gross
SKINCARE

Acquired by Shiseido (Dec-23)

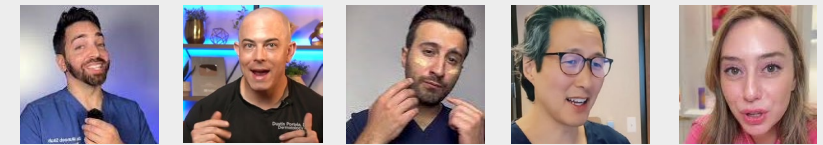
Likelihood to Purchase Brand Based on Founder

■ Professional-Founded
■ Influencer-Founded



Select Doctor Influencers

TikTok Followers / Instagram Engagement Rate



Doctor	TikTok Followers / Instagram Engagement Rate
Dr. Shah	18M / 3.85%
Dr. Portela	2M / 1.32%
Dr. Tomassian	2M / 4.95%
Dr. Youn	8M / NA
Dr. Idriss	500K / 1.69%



Online brand discovery continues to increase, with consumers shifting their trust from traditional influencers to professionals

Buyer Universe Is Expanding...

Signal: Sanofi becomes latest pharma giant to spin off consumer healthcare business

The spin-off will see Sanofi follow in the footsteps of fellow pharma giants Johnson & Johnson, Pfizer, and Novartis.

Isaac Hanson | October 27, 2023

sanofi

On Health & Wellness:

“

“Proactive, preventative health has become the new norm post-pandemic”

”

Johnson & Johnson
K **kenvue**

On Spin-Off:

“

“To give the consumer health business the agility to better innovate and grow across categories”

”

Pfizer
HALEON

On M&A:

“

“Consumer healthcare sector is evolving rapidly, and Haleon needs to be an acquiror”

”

NOVARTIS
SANDOZ

On Landscape:

“

“Big Pharma is exiting businesses outside their focus areas”

”



Pharmaceutical giants are spinning off their consumer health divisions, creating a new category of strategic buyers whose sole focus is consumer healthcare

...While Legacy Strategics Continue to Acquire



Notable Acquisitions:

	PAULA'S CHOICE SKINCARE	NUTRAFOL®	K18 BIOMIMETIC HAIRSCIENCE
Year	2021	2022	2023
Val.	~\$2B	~\$1B	NA

Management Perspective:



"Our science-backed, lifestyle-led brands are winning because they continue to be at the forefront of – and in sync with – industry and consumer trends. Today's consumer is more scientifically savvy than ever before."

- Jostein Solheim, CEO, Health & Wellbeing Collective at Unilever



Notable Acquisitions:

	vööst	Ouai	TULA SKINCARE
Year	2021	2021	2022
Val.	NA	~\$300M	NA

Management Perspective:



"We want to win in beauty in the categories we choose to play in – skin, hair, and personal care – categories where the clinical performance of the products make a difference."

- Markus Strobel, President, P&G Global Skin & Personal Care



Notable Brands:

	Neutrogena	Rogaine	ZARBEES
			INSPIRED BY NATURE
	Spun out from J&J in 2023		

Management Perspective:



"Brand loyalty is built when a professional recommends a brand that is driven by science; the role of the influencer has expanded from TikTok to telemedicine."

- Manoj Raghunandan, Global Head, Self Care and Consumer Experience



Notable Acquisitions:

	THE BOUNTIFUL COMPANY	nuun	Orgain
Year	2021	2021	2022
Val.	\$5.6B	NA	~\$2B

Management Perspective:




















"More people are taking charge of their health, looking to vitamins, minerals, herbals and supplements to fill gaps or provide extra support. We have an ability to build clinical evidence and drive doctor recommendations."

- Greg Behar, CEO, Nestle Health Science



Key strategics have built out a substantial consumer health and wellness practice, with recent acquisitions focused on science-backed, doctor-recommended brands

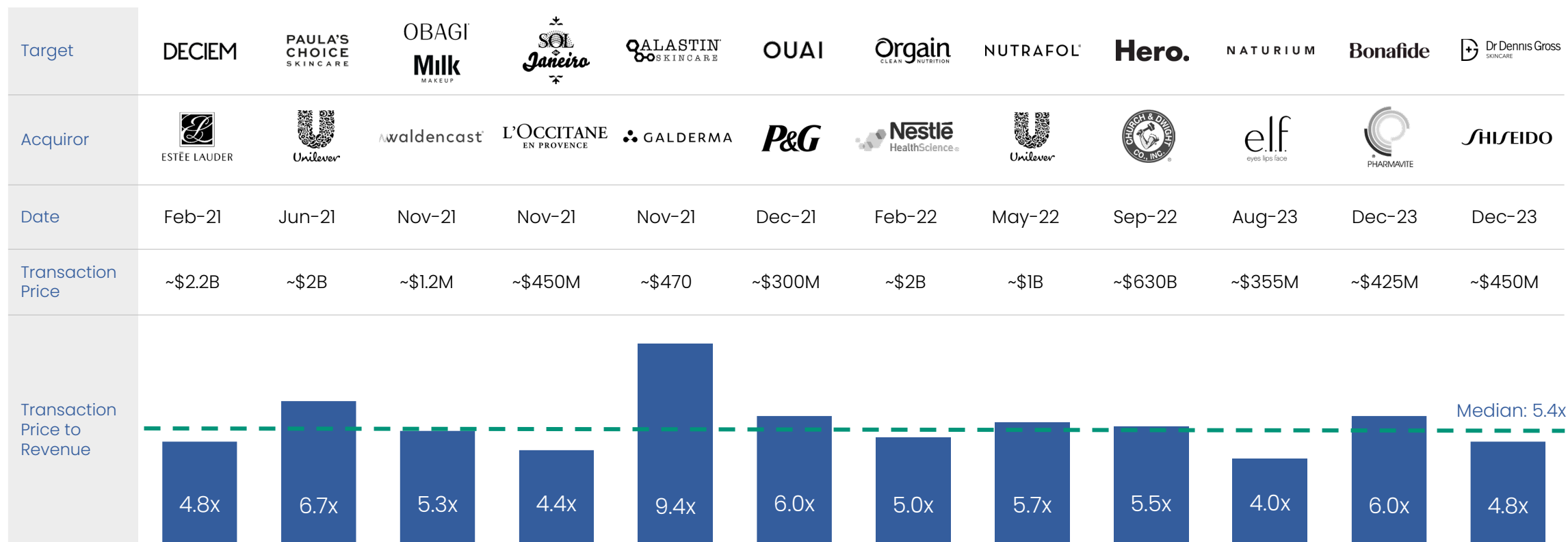
Strategics Maintain Strong Appetite to Buy Brands

 PAULA'S CHOICE SKINCARE SMARTY PANTS VITAMINS K18 BIOMIMETIC HAIRSCIENCE TATCHA NUTRAFOL LIQUIDIV	 OBAGI Milk MAKEUP	 ESTÉE LAUDER DECIEM Too Faced COSMETICS	 eyes lips face KEYS SOULCARE WELL PEOPLE NATURIUM	 COLGATE-PALMOLIVE PCA skin elta MD SKINCARE	 Dr Dennis Gross SKINCARE DRUNK ELEPHANT		
 Hero.	 PHARMAVITE Bonafide	 AMORE PACIFIC TATA HARPER	Beiersdorf  CHANTECAILLE WILD ABOUT NATURE	 WELLA PROFESSIONALS Briogeo	Bansk amika:	 kao bondi sands	 GALDERMA ALASTIN SKINCARE
 MIELLE OUI TULA SKINCARE FARMACY	 Nestlé HealthScience VITAL PROTEINS Orgain CLEAN NUTRITION nuun	L'OCCITANE EN PROVENCE ELEMIS LONDON SOL Janeiro	 PUIG BYREDO DR. BARBARA STURM	L'ORÉAL  YOUTH IN PEOPLE Aēsop. skinbetter SCIENCE			

Private Equity Firms Are Also Actively Acquiring

 <p>BRENTWOOD ASSOCIATES</p>	 <p>GENERAL ATLANTIC</p>	 <p>stride CONSUMER PARTNERS</p>	 <p>Blackstone</p>	 <p>North Castle Partners</p>	
 <p>PACIFICA® 100% VEGAN • CRUELTY-FREE</p>	 <p>VEGAMOUR</p>	 <p>skinfix.</p>	 <p>Supergoop! ZO SKIN HEALTH™</p>	 <p>GLOW RECIPE</p>	
 <p>butterfly</p>	 <p>KKR</p>	 <p><u>Berkshire</u> Partners</p>	 <p>SUMMIT PARTNERS</p>	 <p>TPG</p>	 <p>Bridgepoint</p>
 <p>Orgain CLEAN NUTRITION</p>	 <p>WELLA PROFESSIONALS</p>	 <p>MIELLE®</p>	 <p>HAIRSTORY</p>	 <p>RODAN+FIELDS®</p>	 <p>RoC</p>
 <p>L CATTERTON</p>	 <p>CARLYLE</p>	 <p>GRYPHON</p>	 <p>Advent International GLOBAL PRIVATE EQUITY</p>	 <p><u>MAIN POST</u> PARTNERS</p>	
 <p>function — of beauty</p>	 <p>BEAUTYCOUNTER®</p>	 <p>REVISION. SKINCARE</p>	 <p>OLAPLEX</p>	 <p>DUKE CANNON SUPPLY CO. Dr. Dennis Gross SKINCARE</p>	

Attractive Business Model Drives Premium Valuations



Category's business models are underscored by strong gross margins and natural replenishment; valuations remain premium over the last 3 years

Winning Framework by Norwest



Authentic Founder

Avoiding science-washing to build trust with consumers



Early Mover Advantage

Capitalizing on being first-ish to market in emerging categories



Best-in-Class Brand

Forefront of innovation, performance, and customer satisfaction



Rooted in Science

Patented formulas with clinical proof



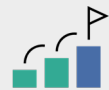
Differentiated Distribution

Unique advantage in distribution channels



Natural Replenishment

Recurring revenue to drive high lifetime value



Strong Margin Profile

Scalable gross and contribution margins



Optimized Financing

Right-sized capitalization structure



Sustained Buyer Interest

Playing in category with clear interest from acquirors



Operational Discipline

Demonstrated ability to drive sustainable unit economics

Ready to build a winning health & wellness brand?

Reach out to partner [Lisa Wu](#) or investor [Gabrielle Rush](#).



About Norwest

Norwest is a leading venture and growth equity investment firm that works side-by-side with the world's top entrepreneurs, empowering them throughout their personal journey of professional growth. Managing more than \$12.5 billion in capital, we have invested in over 600 early-to-late-stage companies, with more than 200 currently active. Focused primarily on consumer, enterprise, and healthcare, we provide businesses with the specialized resources, expertise, guidance, and connections to achieve their vision. Norwest has offices in Menlo Park and San Francisco, with subsidiaries in India and Israel. To learn more, visit nvp.com.