VITAMIN, MINERALS AND SUPPLEMENTS MARKET UPDATE

Summer 2020

EXECUTIVE SUMMARY

- Vitamins, Minerals and Supplements ("VMS") are becoming increasingly mainstream and synonymous with a healthy lifestyle
- Strong VMS industry tailwinds have been amplified by COVID-19 driving increased per capita use across all generations
- Consumers are recognizing that not all VMS products are created with equal quality and are shifting spend to premium products
- Given the proliferation of choice in a fragmented market, consumers are seeking trusted advice when committing to brands
- We believe VMS companies that focus on high-quality production using premium ingredients will be well-suited for the next phase of industry growth

THE VMS INDUSTRY IS LARGE AND GROWING

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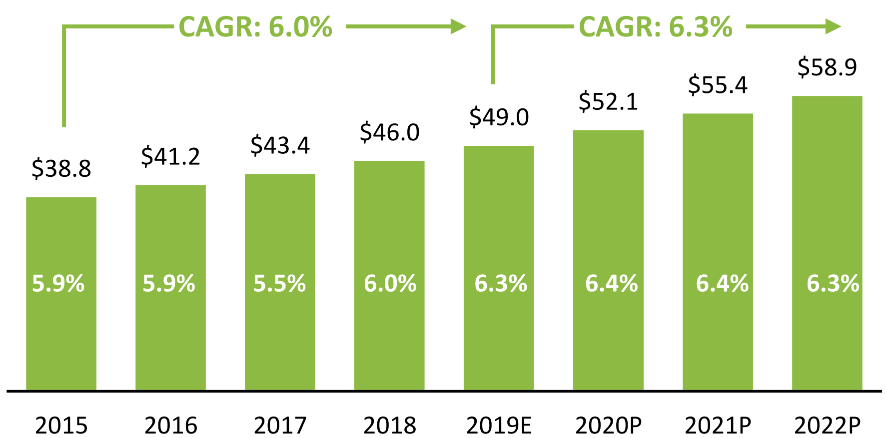
U.S. VMS IS LARGE AND GROWING [1]

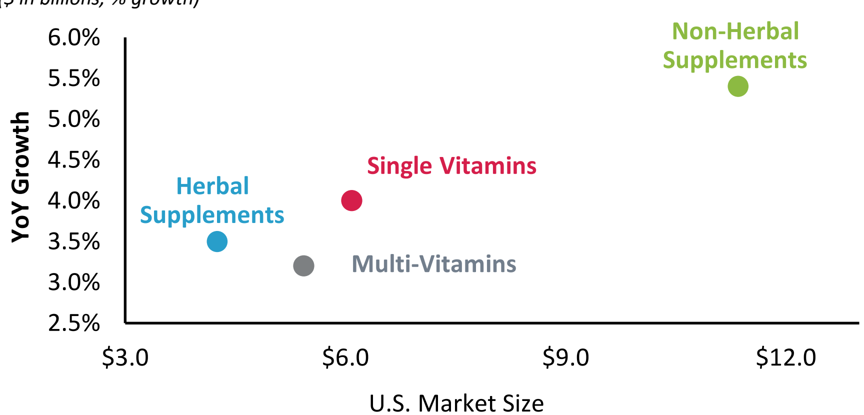
- Consumers across all demographics are adopting a more holistic, healthily lifestyle
- VMS is a key part of the equation:
  - **75%** of all U.S. adults take VMS, up from 65% in 2009 [1]
  - **49%** & **47%** of adults aged 55+ and 35 – 54, respectively, cite overall wellness as the top reason to take VMS [1]
- Innovation (e.g., CBD products, DNA-based/personalization) helping drive growth
- Old Definition of Health → New Definition of Health
  - Hospital and doctor visits → holistic and lifestyle wellbeing
  - Reactive treatments with collateral damage → preventative, personalized treatments
  - Prescription drugs and surgery → functional supplementation

($ in billions, % growth)



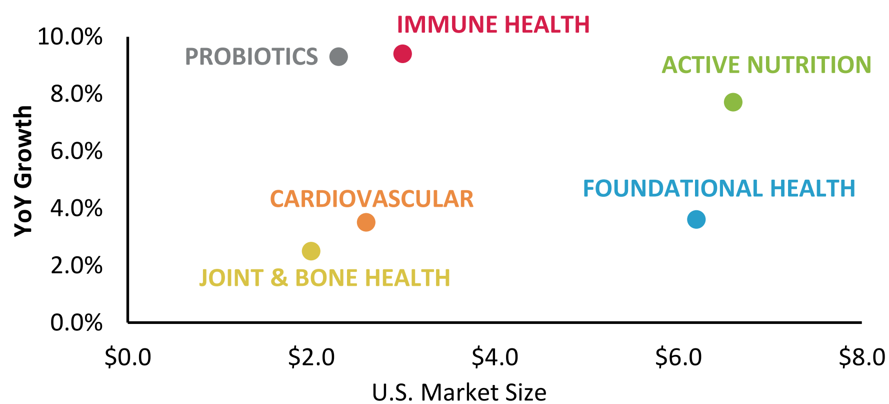
SELECTED VMS CATEGORIES' SIZES AND GROWTH RATES

($ in billions, % growth)



SELECTED VMS FUNCTIONS' SIZES AND GROWTH RATES

($ in billions, % growth)



(1) Nutrition Business Journal; (2) Natural Products Insider.

VMS IS A PART OF THE HEALTH & WELLNESS LIFESTYLE

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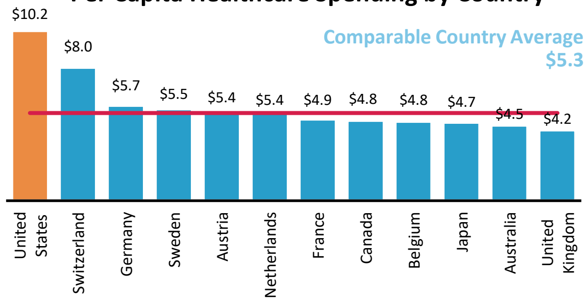
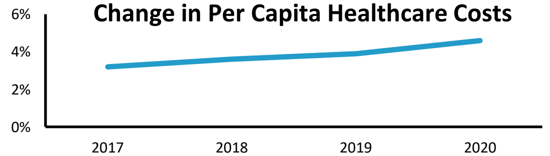
Increasing Healthcare Costs

($ in thousands)

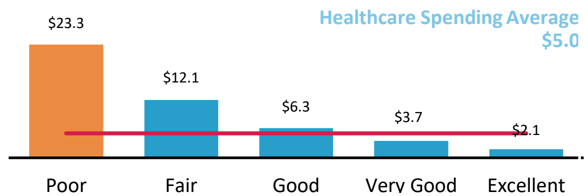
Per Capita Healthcare Spending by Country



Change in Per Capita Healthcare Costs



American's Healthcare Costs by Health Status



American's lifestyle choices are proving costly

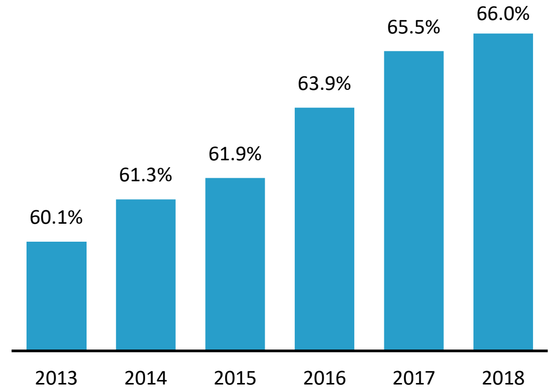
A ~30% obesity rate is both a cause and symptom of the world's highest healthcare spending

A preventative approach

Consumers are turning towards healthy products in order to avoid spending money on healthcare in the long-run

Emerging Health Consciousness

U.S. Fitness Participation



Lifestyle Choices: Supplement Users vs. Non-Users

	VMS Users	Non-Users
Exercise Regularly	70%	57%
Visit Doctor Regularly	80%	68%
Diet Conscious	87%	76%

Association between supplements and wellness

The top reason among both men and women for taking supplements was overall health and wellness

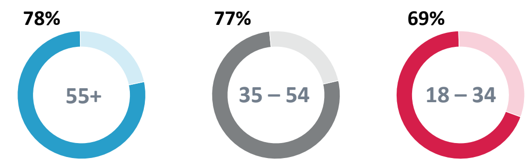
Supplement sales driven by energy and weight-loss

Energy and weight loss accounted for almost half of supplement revenue

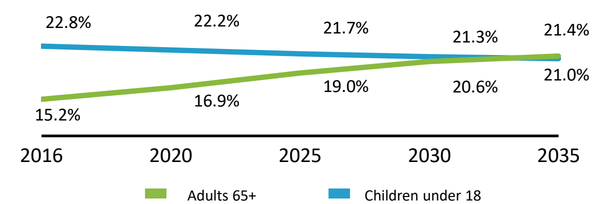
Favorable Age Demographic Trends

Millennials' Attitudes Towards Shopping

Supplement Use by Age Group



Projected % of U.S. Population



Continued growth among younger demographics

71% of supplement users aged 18-34 anticipate their supplement use increasing in the next 5 years

Millennial trust and loyalty to supplement brands

Trust in supplements has increased more than 20% over previous generations

Source: IBIS World; Nutritional Business Journal; Peterson-Kaiser; The Council for Responsible Nutrition; U.S. Census Bureau.; Fitness participants defined as 50+ occasions of fitness sports participation annually.

THE VMS RETAIL LANDSCAPE IS EVOLVING

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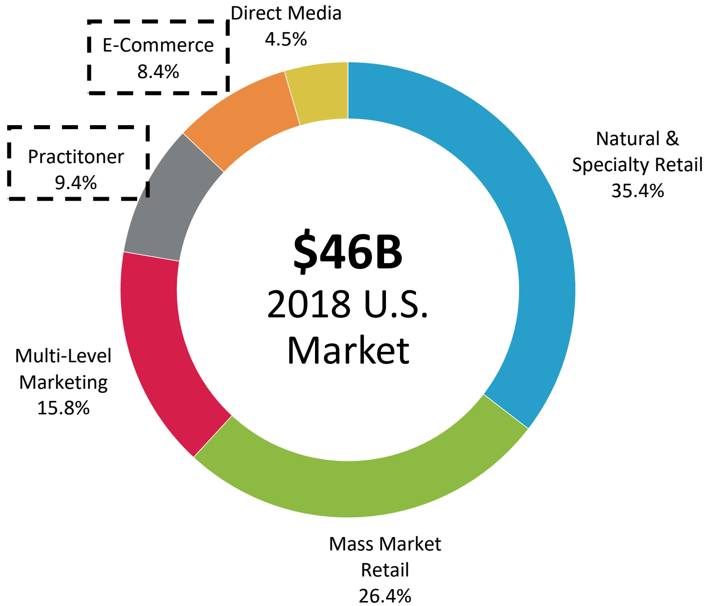
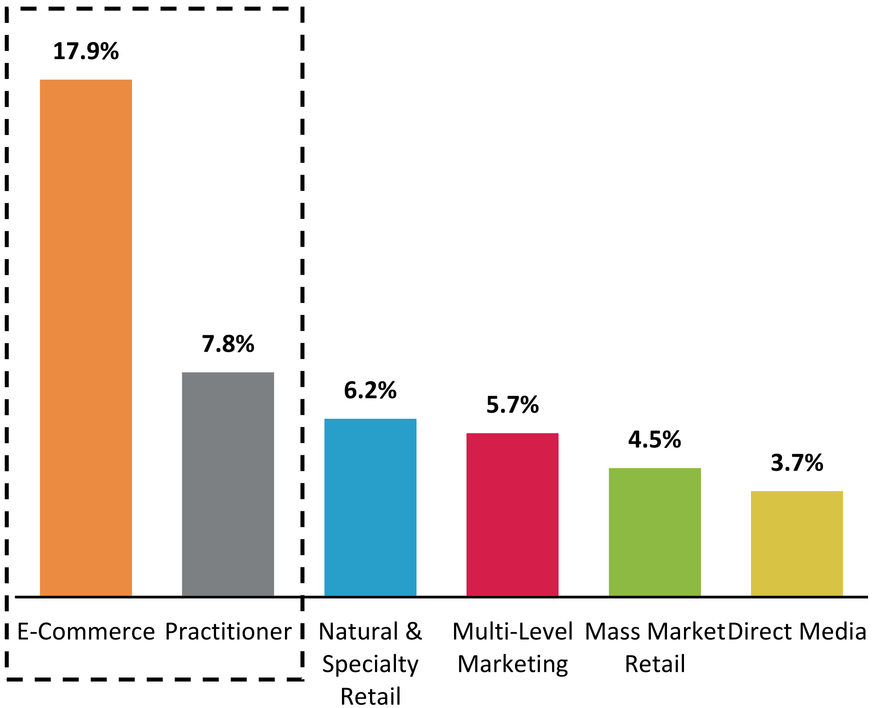
2018 SUPPLEMENT SALES BY CHANNEL[1]



SUPPLEMENT SALES GROWTH BY CHANNEL[2]

(% YoY Growth)



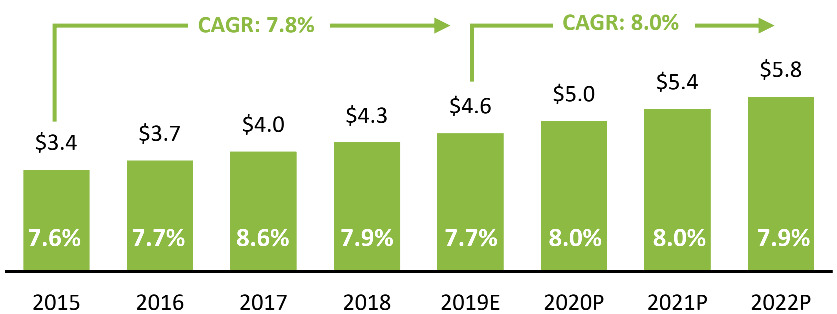
Although Natural and Specialty retailers maintain the largest market share within VMS, these channels are facing increased competition from the E-commerce and Practitioner channels

(1) Wall Street Research (2) 2019 Nutrition Business Journal

THE PRACTITIONER AND E-COMMERCE CHANNELS DRIVING VMS INNOVATION AND GROWTH

PRACTITIONER CHANNEL DYNAMICS

($ in billions)



PRACTITIONER SALES BY PRODUCT CATEGORY (1)

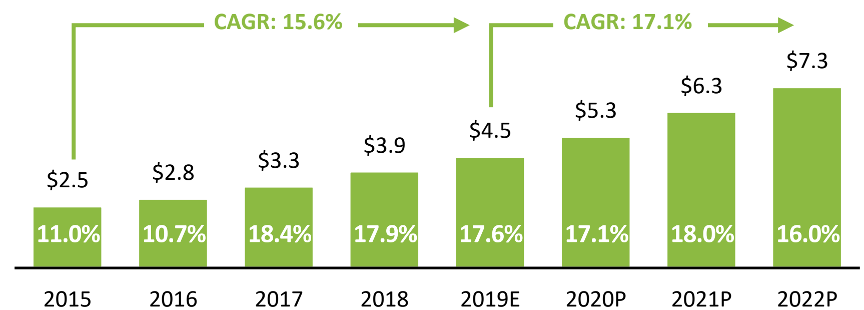
(2018 Sales, $ in billions)

Specialty Supplements	Vitamins	Herbs & Botanicals	Sports Nutrition	Minerals	Meal Supplements
$1.2	$1.2	$1.0	$0.5	$0.3	$0.2
27.3%	27.3%	22.7%	11.4%	6.8%	4.5%

- ~250K healthcare practitioners ("HCPs") currently selling supplements in the U.S.
  - MDs, Nutritionists, Pharmacists, Naturopaths, Osteopaths, etc.
- Declining insurance reimbursements have spurred desire to augment revenue streams (67% of HCPs seeking additional revenue and 46% are contemplating selling VMS products in the future)
- Channel's growth exceeds overall VMS category as consumers increasingly seek trusted and personalized supplementation recommendations from authoritative HCPs
  - The HCP/patient relationship often allows HCP-recommended brands to charge higher prices
  - HCP-focused brands increasingly selling via e-commerce channels and online dispensaries (e.g., Wellevate, Fullscript)

E-COMMERCE CHANNEL DYNAMICS

($ in billions)



E-COMMERCE SALES BY PRODUCT CATEGORY (1)

(2018 Sales, $ in billions)

Specialty Supplements	Vitamins	Herbs & Botanicals	Sports Nutrition	Minerals	Meal Supplements
$1.4	$0.9	$0.9	$0.4	$0.2	$0.1
35.9%	23.1%	23.1%	10.3%	5.1%	2.6%

- E commerce channel sales are the fastest-growing segment of the VMS sector, driven by broader acceptance of online and mobile shopping (convenience, familiarity)
  - Covid-19 has accelerated online research and purchases
  - Consumers now regularly research VMS brands and ingredients online (e.g., directly on Amazon reviews), looking for trustworthy products that are safe, HCP-recommended, efficacious, and research-backed
- Emergence of brands that are digitally native, especially in Sports Nutrition
- Based on Baird research, VMS brands that begin selling on Amazon average ~45% growth from 12 to 24 months and ~60% growth from 24 to 36 months on the platform

(1) 2019 Nutrition Business Journal.

SYMBIOTIC RELATIONSHIP BETWEEN HCPS AND ONLINE CHANNELS

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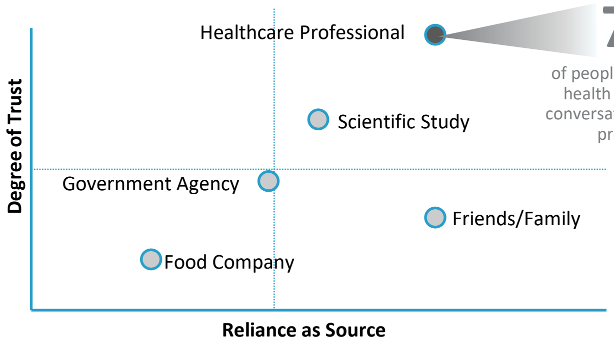
HCP Recommendations

People trust and rely on the recommendations of their HCPs more than scientific studies, friends and family or company recommendations

Level of Trust vs. Reliance as a Source (1)



78%

of people made a change in health habits based on a conversation with healthcare professionals (2)

Amazon Support With Reviews and Promotion

1

Consumers Online Research Drives Growth for Quality VMS

~60%

of shopping research now starts on Amazon – consumers now have greater visibility into recalls and quality of other products

amazon

2

Free Promotion of Practitioner Statements Not Able to Be Made Otherwise

My naturopath suggested I take this during the cold and flu season… So far it has been a life saver, no colds while others have succumbed! …I love this company and feel they have a ***good reputation for pure ingredients without any unnecessary additives***. Splurge on yourself you're worth it!

Practitioner and E-Commerce VMS Growth Outpacing Industry (3)

6.0% Industry Growth

7.8% Practitioner

17.9% E-Commerce

HCPs Provide Value vs. Online

1. **Options for Convenient Access Via Online Portals**
2. **Actively Track Patient Activity To Make Informed Recommendations**
3. **HCPs Continue to Make Solid Margins and Can Sell at a Discount to E-Commerce**
4. **Custom Private Label Options For Tailored Solutions**

E-Commerce and Transparency Growing Demand

The endless aisle on Amazon and e-commerce has driven more consumers back into their HCP's office searching for quality recommendations

HCPs Participating In Current Market (4)

53%

of M.D.s and D.O.s are currently dispensing VMS products

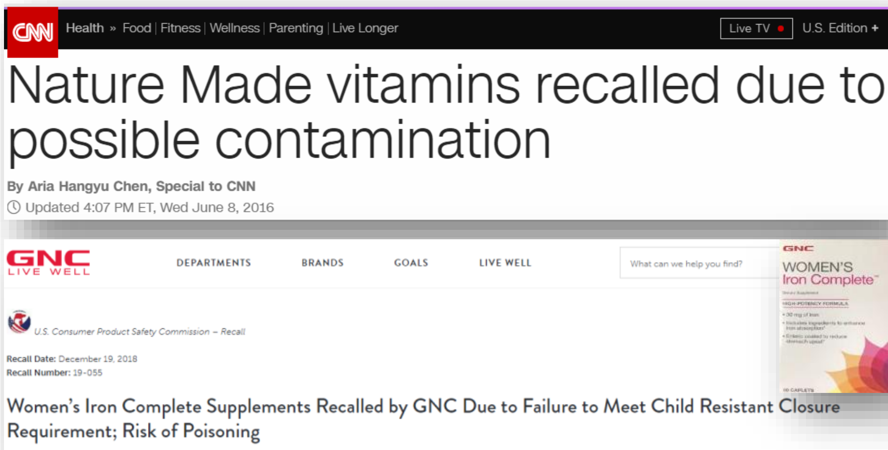
94%

of non-dispersing HCPs are recommending VMS products to their patients

(1) 2018 Food and Health Survey. (2) eMarketer "Attitudes Among Amazon Shoppers". (3) US Supplement Sales Growth in 2016. (4) Natural Products Insider.

FLIGHT TO QUALITY HAS BEEN ACCELERATED BY COVID-19

Growing Concerns Around Product Safety and Recalls…


CNN Health » Food | Fitness | Wellness | Parenting | Live Longer Live TV U.S. Edition +

Nature Made vitamins recalled due to possible contamination

By Aria Hangyu Chen, Special to CNN
Updated 4:07 PM ET, Wed June 8, 2016

GNC LIVE WELL DEPARTMENTS BRANDS GOALS LIVE WELL What can we help you find?

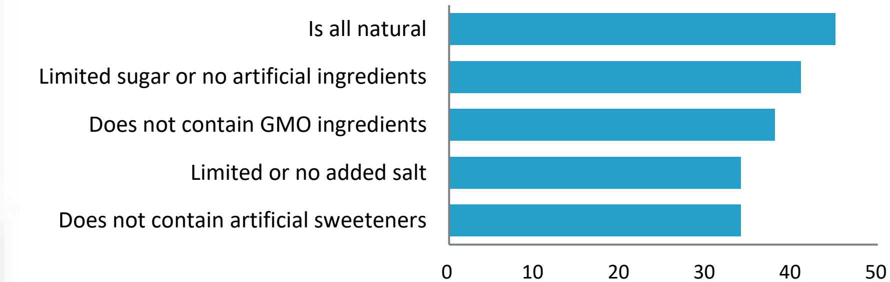
U.S. Consumer Product Safety Commission – Recall

Recall Date: December 19, 2018
Recall Number: 19-055

Women's Iron Complete Supplements Recalled by GNC Due to Failure to Meet Child Resistant Closure Requirement; Risk of Poisoning

…and Consumers' Hyper-Awareness of Healthy Living…

(% of survey respondents seeking attribute on food labels)



79%
of Millennials agree that being able to understand all the ingredients increases their trust

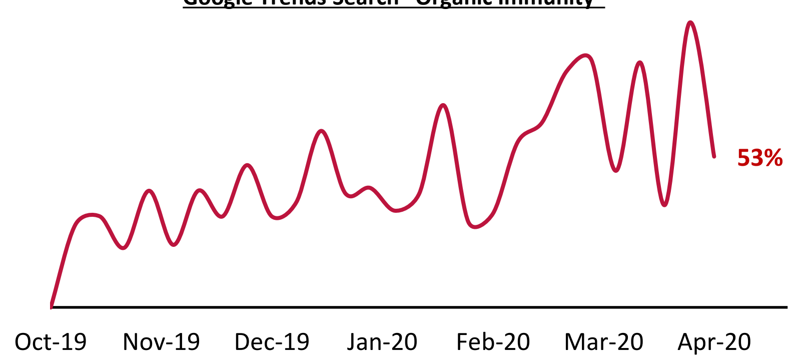
68%
of Millennials believe a shorter ingredient list means a snack is better for you

…Accelerated by COVID-19

Preventative Health Now More Important Than Ever For Long-term AND Short-term

With COVID-19 having greater impact on patients that are obese and/or have underlying health issues and rising healthcare costs, consumers are more conscious of the role diet plays

Google Trends Search "Organic Immunity"



Source: Google Trends. Note: Based on indexed search interest as a proportion of all topics searched in the U.S. on Google.

HIGHLY FRAGMENTED INDUSTRY LANDSCAPE

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Strategic Ownership of Selected Industry Players

Bayer	One A Day
Reckitt Benckiser	Schiff Nutrition
Clorox	NeoCell (the true science of collagen); Rainbow Light; RenewLife
P&G	New Chapter
Nestlé	Douglas Laboratories; Garden of Life; Genestra Brands; Pure Encapsulations; Wobenzym; Vital Proteins*
Amway	Metagenics (Genetic Potential Through Nutrition)
Otsuka	Innate Response Formulas (Restoring Deeper Connections); MegaFood; Nature Made
Pfizer	Caltrate; Centrum; Emergen-C
Schwabe	Enzymatic Therapy; Nature's Way; Integrative Therapeutics
Kikkoman (Naturally Brewed)	Allergy Research Group (Innovative Nutrition); Country Life
WhiteWave	Vega

U.S. Market Share Overview

2018 company share % based upon retail value

	Vitamins		Supplements	
	Company	% Share	Company	% Share
1	Pharmavite	6.0%	Nature's Bounty	5.1%
2	Nature's Bounty	4.6	Schiff Nutrition	3.5
3	Pfizer	4.6	Pharmavite	3.3
4	Nature's Way	3.4	P&G	2.9
5	Bayer	2.7	Pfizer	2.7
6	Atrium Innovations	2.4	Herbalife	2.3
7	GNC	2.4	Nature's Way	2.3
8	Sundown Naturals	1.9	Bausch Health	1.8
9	Northwest Naturals	1.5	Nordic Naturals	1.7
10	Costco Wholesale	1.4	Amway	1.5
Top 10 Total		30.9		27.1
All Other		69.1%		72.9%

Source: Village Vitality; Euromonitor; IBIS. * Denotes deal pending.

NEXT STEPS

Please Contact the Baird Team for Potential VMS Opportunities Related to the Themes Outlined in this Document

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