



health&wellnessREPORT

INDUSTRY OVERVIEW

Despite the record level of M&A activity witnessed in the first half of 2014, the third quarter witnessed a drop in health and wellness transactions. The Leisure Facilities sector continues to lead the Health and Wellness industry in terms of number of transactions and can expect continued growth as consumer involvement in personal health and participation of women in physical fitness activities continue to rise. The acquisition of golf facilities and specialty workout facilities were also high in the Leisure Facilities sector this quarter.

Despite overall slowdown in the health and wellness industry in the third quarter in transactions and stock prices, two areas of expected future growth are Vitamins/Nutritional Supplements and Beauty Care Products. In Beauty Care Products, a consumer-led trend towards multi-benefit products and luxury goods at home will promote increased M&A activities as new and existing players seek to expand their product offerings in these areas. Additionally, an aging US population and recent healthcare legislation* should promote increased profits across all health and wellness sectors.

Although the number of transactions in Q3 2014 decreased, capital seems to be attracted to the health & wellness industry, as witnessed in the massive acquisitions of Elizabeth Arden and Dollar Shave Club.

If you have any questions please contact us.

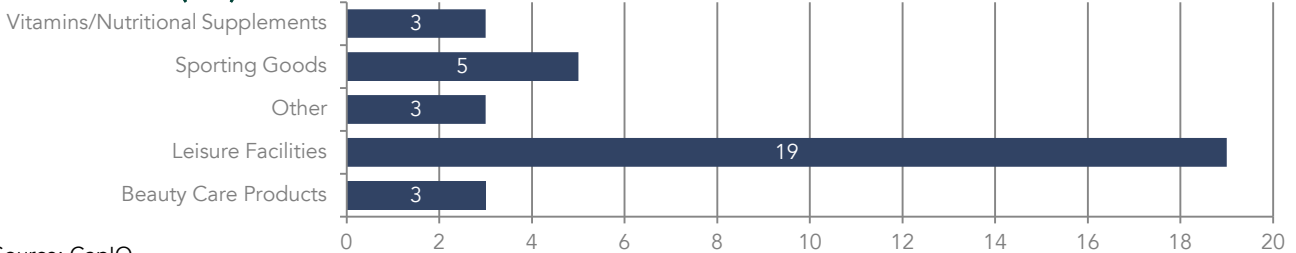
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* Affordable Care Act (ACA) included several provisions to encourage wellness programs at the plan, employer, and individual levels (Source: BlueCross BlueShield)

TRANSACTION HIGHLIGHTS

TRANSACTIONS # BY SEGMENT (Q3)

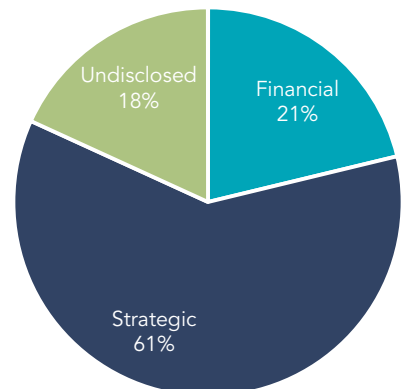


Source: CapIQ

STRATEGIC VS. FINANCIAL TRANSACTIONS HIGHLIGHTS

Source: CapIQ

STRATEGIC ACQUISITIONS	<p>8.13.14 ClubCorp USA, Inc. entered into an equity purchase agreement to acquire Sequoia Golf LLC for approximately \$270 million in cash. This acquisition will expand ClubCorp USA's domestic presence, which has an international focus in Australia, Mexico and China.</p>
FINANCIAL ACQUISITIONS	<p>9.16.14 Path Products, Inc., a family entertainment company, has been acquired by Topspin Partners LP along with Patch Products Inc.</p> <p>8.22.14 KEB Enterprises, LP acquired an unknown controlling interest in Elements of Health Care, LLC, a health supplement manufacturer.</p>



The information contained herein is based on sources we believe reliable but is not guaranteed by us and is not to be considered all inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.



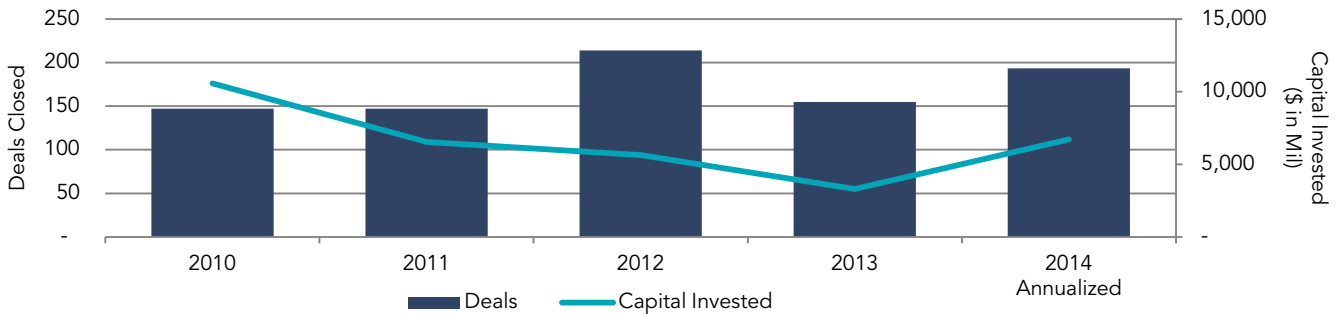
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TRANSACTION ACTIVITY

Date	Target	Buyer	Target Desc.	Transaction Comments
9.25.2014	Integrity Gaming, Inc. & Aurora Gaming Inc.	Poydras Gaming Finance Corp.	Distributor of bingo and electronic gaming	Poydras Gaming Finance Corp. (TSXN:PYD) entered into a definitive agreement to acquire Integrity Gaming, Inc. and Aurora Gaming Inc. for CAD 12.8 million in outstanding debt and approximately CAD 6.13 million of equity consideration payable in common shares of Poydras Gaming Finance Corp.
9.24.2014	Dollar Shave Club, Inc.	Comcast Ventures & Others	A subscription for shaving products.	Dollar Shave Club announced a private placement of series C preferred stock for gross proceeds of \$50 million. The series C round was led by a group of six companies. Dollar Shave Club has received \$73 million in funding til date. The company had revenues of \$20 million in 2013.
8.27.2014	Easton Hockey, Inc.	Chartwell Investments, Inc., Easton Hockey	Manufacturer of hockey supplies	Chartwell Investments, Inc. and senior hockey management of Easton Hockey Business acquired Easton Hockey Business from BRG Sports Inc. in a recapitalization transaction. Former Bell Sports CEO, Mary George, was appointed to CEO of Easton Hockey.
8.25.2014	Elizabeth Arden, Inc. (NasdaqGS:RDEN)	Rhone Capital LLC	Beauty products company	Rhone Capital LLC, through Rhone Partners IC LP, made an offer to acquire 21.61% stake in Elizabeth Arden, Inc. for approximately \$110 million. Rhone Capital will purchase 6.4 million shares of common stock of Elizabeth Arden at a cash purchase of \$17 per share.
8.7.2014	Evolv Sports & Designs Co.	Bruckmann, Rosser, Sherrill & Co. LLC	Climbing and outdoor footwear	Evolv Sports & Designs Co. announced that it has received funding from new investor, Bruckmann, Rosser, Sherrill & Co. The investor acquired majority stake in the company. Evolv Sports will use the proceeds for its growth strategy to expand into related outdoor product categories.
7.28.2014	Hubney Fitness Corp.	Gold's Gym International, Inc.	Health club operator	Gold's Gym International, Inc. entered into an agreement to acquire Hubney Fitness Corp. The deal is officially slated to close August, 2014.

Source: CapIQ

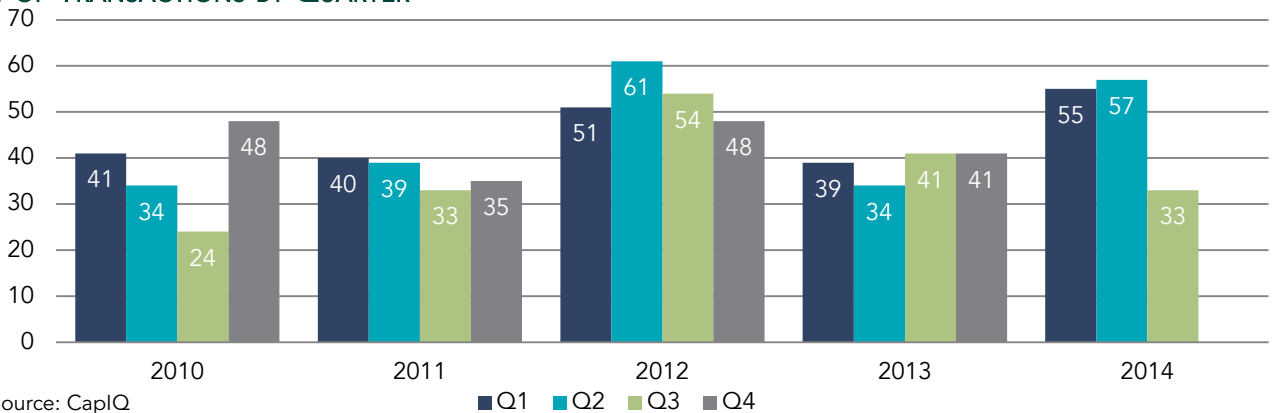
US HEALTH & WELLNESS M&A ACTIVITY



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

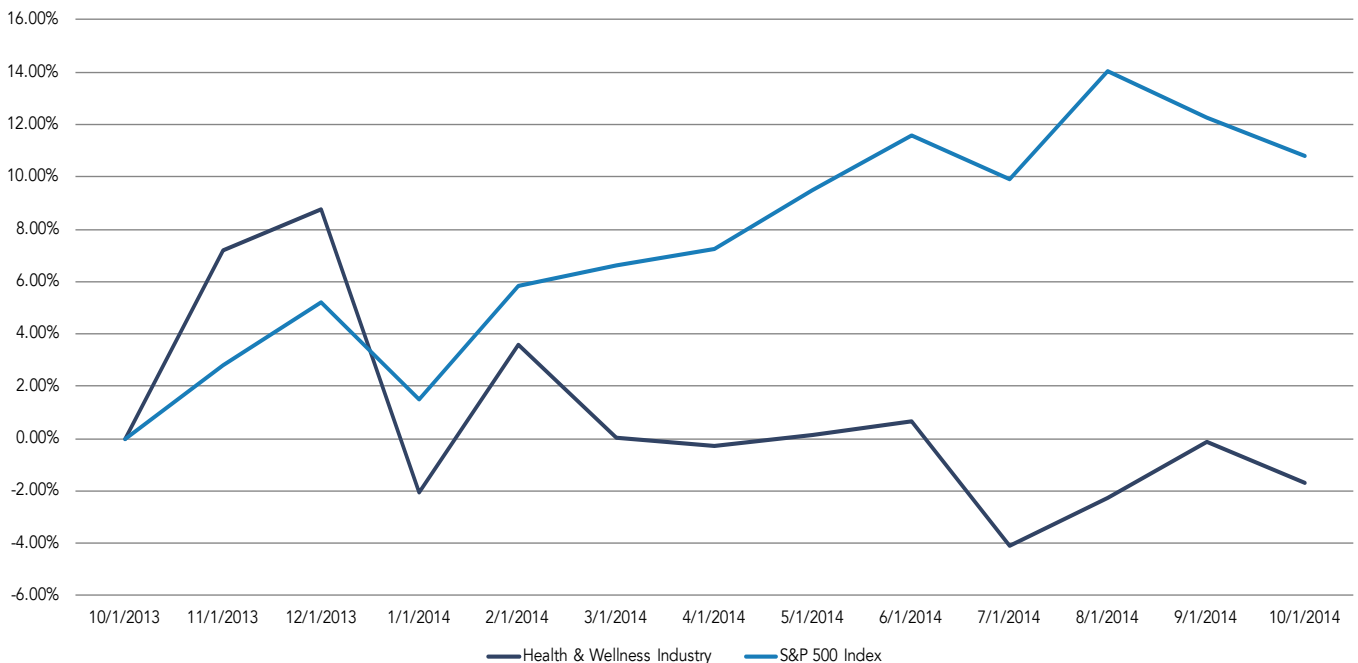
Despite a tick of improvement between July and August, the Health and Wellness industry continues to underperform greatly in relation to the S&P 500 average in Q3. While this quarter witnessed a larger pool of companies experiencing year-to-date growth of stock prices, the overall average remains well below the S&P 500.

This slow pace of growth in the industry can largely be attributed to the trend in personal income growth in the United States. As American consumers experience a moderately paced growth in personal income, growing 4.3% between July 2013 and 2014, their consumption of leisure goods and services grow slowly.

Broadly speaking, companies with diverse channels of distribution, low customer concentration, a strong brand, and a consumable component to their core product offering, receive premiums in valuation relative to peers in the industry.

Company	Symbol	State	Market Cap		Stock Price			Price/ LTM EPS	Price/ Book	Price/ Rev	Price/ EBITDA
			(\$ in Mil)	Price	Month Change	YTD Change					
Avon Products Inc.	NYSE:AVP	NY	\$ 5,215	\$ 12.00	(4.76%)	(30.31%)	24.2x	5.5x	0.8x	11.2x	
Black Diamond, Inc.	NasdaqGS:BDE	UT	\$ 245	\$ 7.52	(0.53%)	(43.59%)	NM	1.0x	1.4x	66.0x	
Brunswick Corporation	NYSE:BC	IL	\$ 3,810	\$ 41.02	(2.66%)	(10.94%)	20.8x	3.2x	1.0x	9.4x	
Cabela's Incorporated	NYSE:CAB	NE	\$ 4,110	\$ 57.84	(1.80%)	(13.23%)	21.4x	2.4x	2.1x	17.0x	
Callaway Golf Co.	NYSE:ELY	CA	\$ 551	\$ 7.09	(2.07%)	(15.90%)	NM	1.6x	0.8x	16.7x	
Cyanotech Corp.	NasdaqCM:CYAN	NA	\$ 26	\$ 4.73	0.40%	(4.08%)	NM	1.3x	1.0x	57.6x	
Herbalife Ltd.	NYSE:HLF	NY	\$ 4,004	\$ 43.63	(0.27%)	(44.56%)	10.8x	NM	1.0x	6.5x	
Johnson Outdoors Inc.	NasdaqGS:JOUT	WI	\$ 255	\$ 25.57	(1.27%)	(5.12%)	17.0x	1.2x	0.5x	6.7x	
Life Time Fitness, Inc.	NYSE:LTM	MN	\$ 1,929	\$ 49.33	(2.20%)	4.96%	16.5x	1.8x	2.4x	8.7x	
Nike, Inc.	NYSE:NKE	OR	\$ 76,150	\$ 87.70	(1.68%)	11.52%	33.8x	6.8x	2.5x	16.2x	
Sally Beauty Holdings Inc.	NYSE:SBH	TX	\$ 4,244	\$ 27.35	(0.07%)	(9.53%)	18.3x	NM	1.6x	10.2x	
Town Sports International Holdin	NasdaqGM:CLUB	NY	\$ 150	\$ 6.16	(8.06%)	(58.27%)	NM	NM	0.8x	5.6x	
Average			\$ 8,391		(2.08%)	(18.25%)	20.4x	2.8x	1.3x	19.3x	

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 Leisure Hard Goods. Leisure Hard Goods have experienced slight growth year-to-date, led by Nautilus and Performance Sports Goods, but remain largely below the S&P 500 average. Otherwise, every other segment including beauty, retail, facilities, and nutrition, has had a difficult year to date. Facilities lost steam between Q2 and Q3, while Beauty and Retail experienced YTD stock price drops of about 20% and Nutrition witnessed a massive 44% drop YTD.

Bad press* in the Vitamins and Nutrition segment in early 2014 is largely to blame for the massive dip in industry stock prices in the second half of 2014. While in Beauty, segment leaders Nu Skin and Elizabeth Arden witnessed LTM stock price decline of 68% and 53%, respectively. Despite the positive long-term prospects many hold for the health and wellness industry, Q3 stock trends reveal that future growth may be slow to materialize.

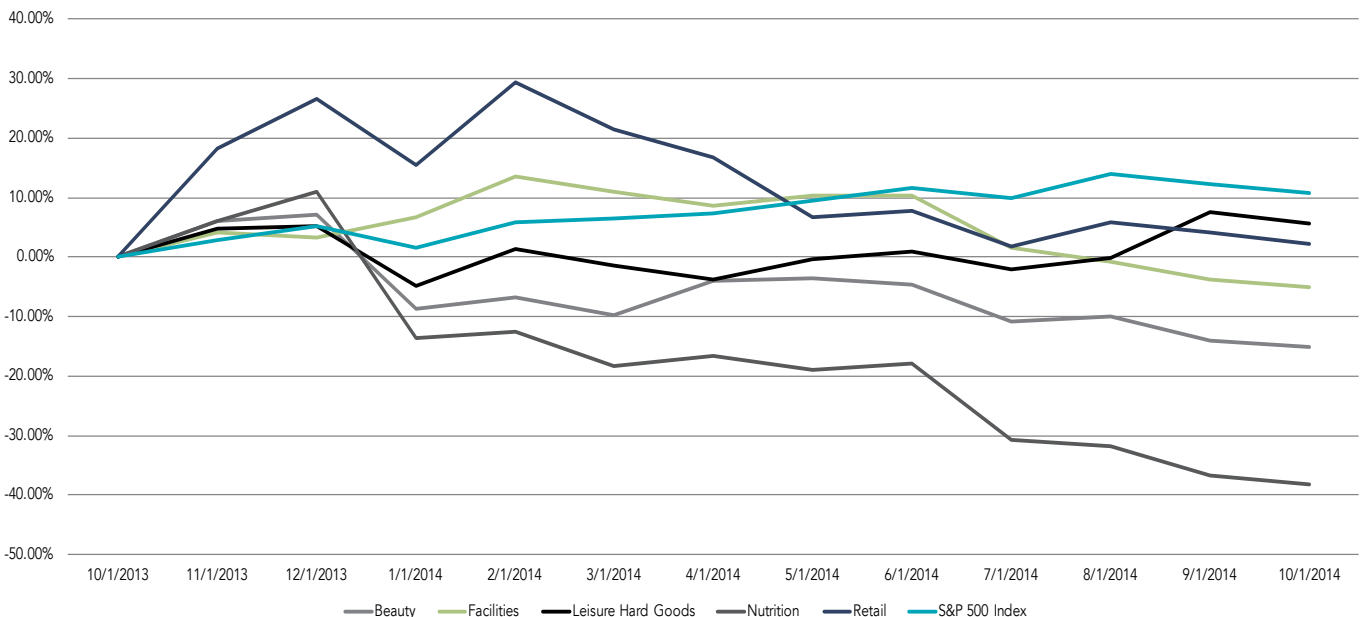
*[Vitamins and Nutrition Bad Press Article](#)

Market Segment	Market Cap	Stock Price Delta			Price/ LTM EPS	Price/ Book	Price/ Sales	Price/ EBITDA
		Month	YTD	LTM				
Beauty	\$ 3,017	(1.2%)	(20.7%)	(15.1%)	21.87x	8.21x	2.08x	9.12x
Facilities	\$ 1,138	(1.3%)	(7.9%)	(5.0%)	24.48x	12.03x	2.49x	11.18x
Leisure Hard Goods	\$ 5,975	(1.7%)	0.6%	5.7%	23.03x	3.29x	1.31x	14.32x
Nutrition	\$ 992	(2.2%)	(44.3%)	(38.1%)	16.92x	4.44x	1.31x	10.39x
Retail	\$ 2,123	(1.7%)	(19.2%)	2.3%	34.62x	2.67x	0.64x	11.17x
Industry Average	\$ 2,893	(1.5%)	(9.6%)	(1.7%)	23.89x	6.44x	1.43x	20.42x
S&P 500 Average	\$ 35,807	(1.3%)	5.3%	10.8%	28.06x	4.29x	3.11x	11.39x

Source: CapIQ

HEALTH & WELLNESS SEGMENTS VS. S&P 500

RUNNING 12 MONTHS

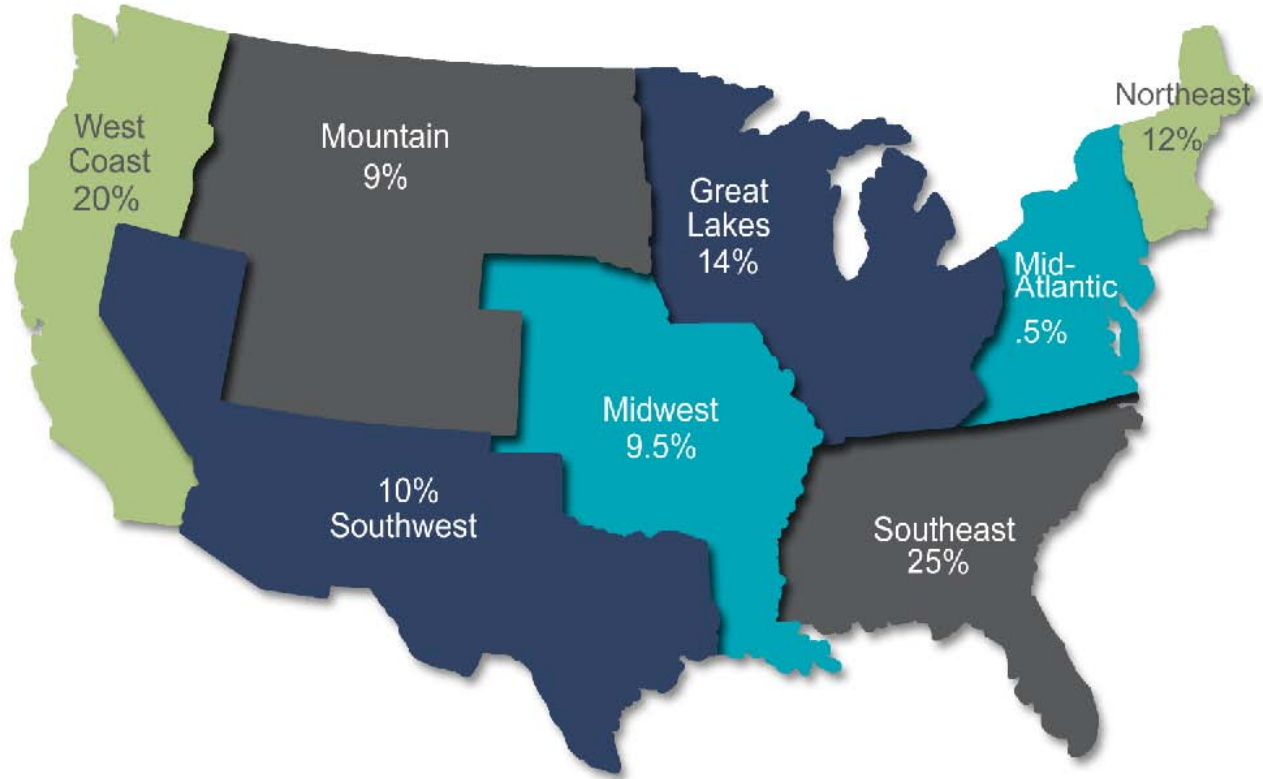


Source: CapIQ



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INDUSTRY GEOGRAPHY



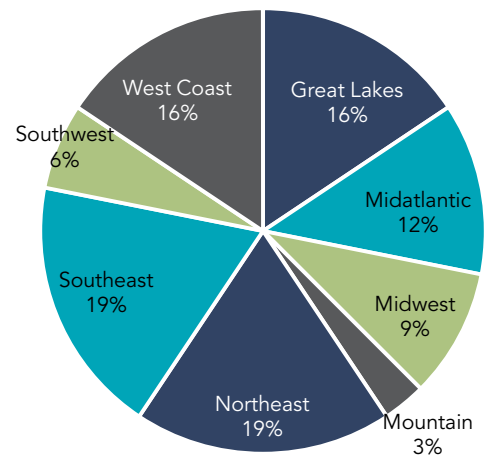
COMPANIES BY SIZE

State	Undisclosed	\$ 0 - 5 Revenue	\$ 5 - 10 Revenue	\$ 10 - 25 Revenue	\$ 25 - 50 Revenue	\$ 50 - 100 Revenue
AZ	188	1	2	1	1	1
CO	208	6	0	3	2	2
KS	56	0	0	0	1	0
ND	17	0	0	0	0	0
NE	31	0	0	1	0	0
NM	27	0	0	0	0	0
OK	64	3	0	0	0	0
SD	21	0	0	0	0	0
TX	491	11	0	4	7	6
UT	136	5	0	1	0	0
WY	14	1	0	1	0	0

* Revenue in millions

Source: CapIQ

TRANSACTIONS BY REGION



Source: CapIQ

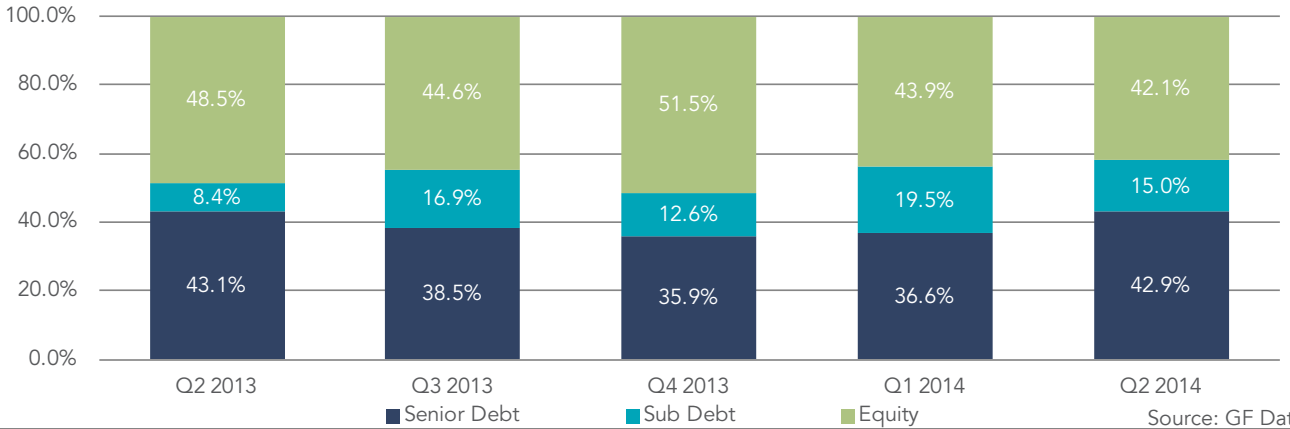
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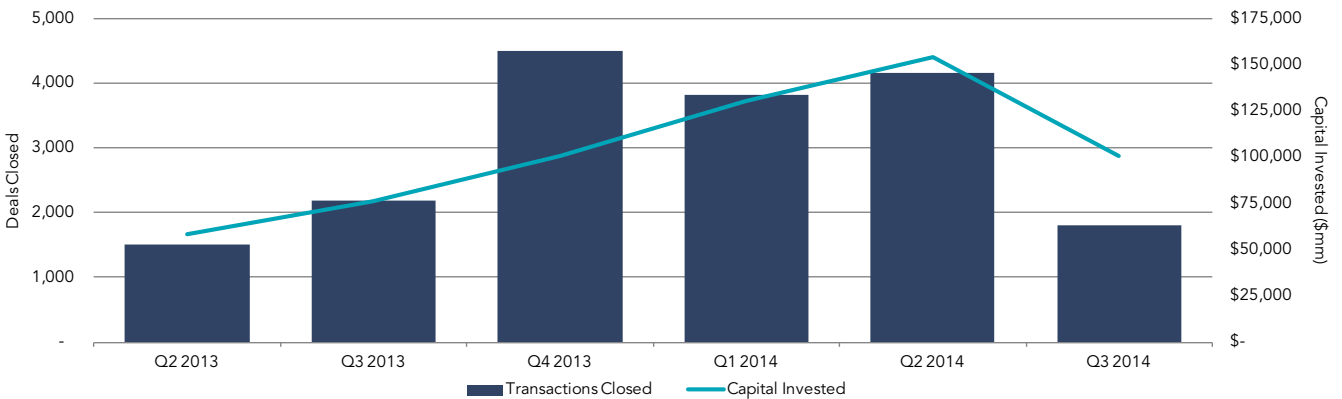
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M&A MARKET ACTIVITY – OVERALL LOWER MIDDLE MARKET

CAPITAL STACK

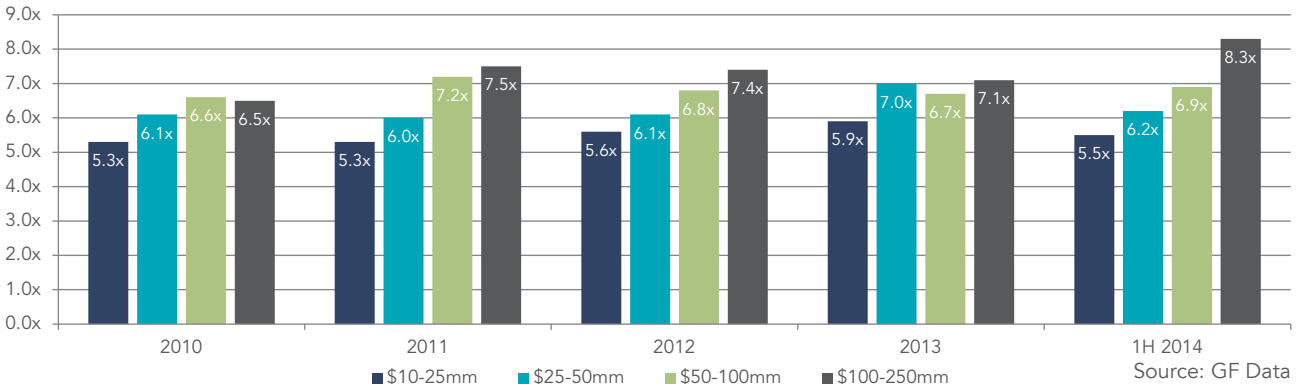


US MIDDLE MARKET M&A ACTIVITY



TRANSACTION MULTIPLES

EBITDA MULTIPLES BY TRANSACTION SIZE



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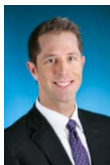




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ABOUT SDR VENTURES

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.

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>AUGUST 2014</p> <p>You have engaged by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>You have engaged by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>You have engaged by</p> <p>REVELSTOKE CAPITAL PARTNERS, LLC</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>MARCH 2014</p> <p>You have engaged by</p> <p>Private Investors</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>You have engaged by</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>
<p>NOVEMBER 2013</p> <p>SDR Ventures ENTERPRISE VALUATION</p>	<p>OCTOBER 2013</p> <p>Deal financing provided by</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>OCTOBER 2013</p> <p>SDR Ventures ENTERPRISE VALUATION</p>	<p>SEPTEMBER 2013</p> <p>Deal financing provided by</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>SEPTEMBER 2013</p> <p>You have engaged by</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>MAY 2013</p> <p>You have engaged by</p> <p>Private Investors</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>

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