

The natural products industry was built for this moment

Pandemic highlights strengths of wellness brands and the investors who back them

By David Thibodeau, Wellvest Capital



The world has changed dramatically since March, and there is more to come. The pandemic is changing how people live, interact with each other, eat and, most importantly, think about their health. The health and wellness industry is no exception to this change. In fact, the industry was already enabling significant positive change by helping people eat better and healthier and take more control over their health. Industry tailwinds are getting stronger by the day, fueling investment and acquisition opportunities across all stages of a business's lifecycle from start-up to full maturity.

Whether an investor, strategic acquiror or operating a company, this is our time.

The health and wellness investment thesis, once thought of as fringe, is being embraced by those once skeptical about our industry's products and message. These include the medical profession, biotech, pharmaceutical, big food and insurance industries. We can thank the many pioneers who built companies more on a passion for doing the right thing than making money—companies like **Worthington Foods, Ben & Jerry's, Stonyfield Farm, Terra Chips, PowerBar, Now Foods, NBTY, GNC, Whole Foods, UNFI, Traditional Medicinals, Seventh Generation, Tom's of Maine**

and **Honest Tea** to name a few. Many of these companies have long since either sold to strategic acquirors or gone public. In their days, growth capital as we know it today and acquisition interest from strategic buyers was hard to come by. But today, with the health and wellness investment thesis firmly established, that has changed dramatically.

More investment money, more strategic interest, and more management talent is available now than ever before, but since March the game has changed. The stakes are higher, and the model is more solid. As we have seen during past downturns, the industry continued to grow despite widespread unemployment and financial uncertainty. This time is different, though, as this is a health-driven crisis that has added even more complexity to consumer behavior and is changing how people spend money. We have seen consumers spending on products and services that indicate they have a renewed focus on health and prevention. This is a silver lining in the COVID crisis. Companies across the broad health and wellness spectrum are reaping the benefits as consumers flock to their products.

Healthy markets

What we find unique about this investing environment is that investment amounts are trending higher across investment tranches for both earlier stage companies and more established companies. In the past, we have seen the riskier early stage investments dry up, but that does not appear to be the current trend. Investors are looking past this crisis with an investment thesis that says the world needs alternative sources of protein, the microbiome is the new frontier in wellness, food and beverages should be free of ingredients that we know are causing health problems and, importantly, all this needs to be done with the health of the planet in mind. It is a tall order, but companies large and small are em-

NBJ Takeaways

- » The pandemic is accelerating adoption of the health and wellness message among consumers and investors
- » Once-skeptical sectors are now eyeing natural products and dietary supplements brands
- » Investment money is available, but getting it calls upon brands to exhibit key differentiators, from technology and profitability to unique products and good leadership

bracing the challenge, and both investors and strategic buyers are acting.

To be sure, not all companies are able to attract investment interest. In this environment, companies must not only have a strong health and wellness focus, they must also have key attributes that differentiate them from others. That includes large addressable markets, unique or differentiated technology, distinctly different or unique products/ingredients that are hard for competitors to replicate, first-mover advantage as a challenger brand, sharp management teams, scale (depending on stage of development), and profitability (or ability to be profitable). These are only some of the attributes. Each company is different, and investors today are taking a company-by-company approach to identify which opportunity(s) fit their particular investment thesis and criteria.

It is an exciting time for our industry, despite the current turmoil in the country and around the world. The mission is more important than ever, and consumers see it more clearly than ever. Our industry can help create a healthier more sustainable world, and I'm excited to be part of it.

This is our time. 