



Leisure and Wellness Update

**KPMG Corporate Finance LLC
Insights**

**An in-depth examination of the medical
spa and massage therapy markets**

Fall 2019

kpmg.com



Medical spa and massage therapy is ripe for M&A activity

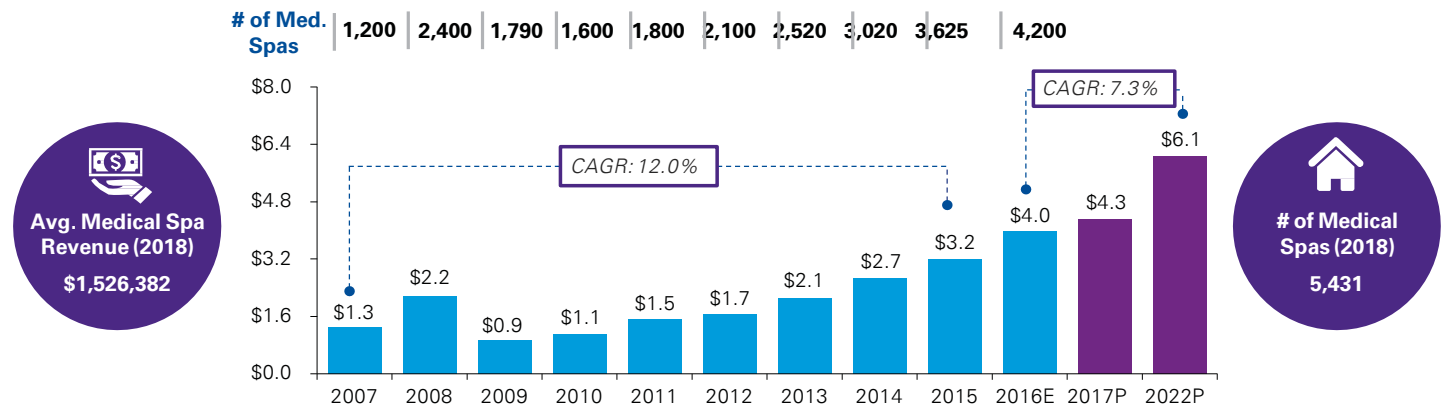
Across the United States, medical spas and massage therapy locations are gaining popularity and they're growing rapidly as consumers seek out alternative forms of healthcare. Given the highly fragmented nature of this market, both strategic and financial investors are making investments in these spaces.

U.S. medical spa landscape

Medical spas are a convergence of traditional day spas and medical clinics. They're increasing in popularity as both men and women seek treatments and services that enhance their appearance. Medical spas, ("med spas" or "medispas"), offer day spa services like facials and waxing along with noninvasive, cosmetic dermatological and surgical treatment including laser and light-based therapies, and cosmetic Botox and fillers.

They offer consumer the benefit of a spa-like experience while receiving procedures and treatments that are traditionally found in a licensed doctor's office. While not every procedure is conducted by licensed healthcare professionals, they are usually performed under their supervision while estheticians handle the more routine day spa therapies.

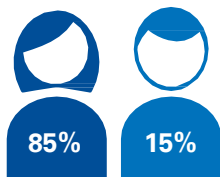
U.S. Medical Spa Market⁽¹⁾ – Revenue (in \$ Bn) and No. of Establishments Trend



Demographic profile of medical spa customers⁽¹⁾

Gender
Females make up the majority of medical spa clients.

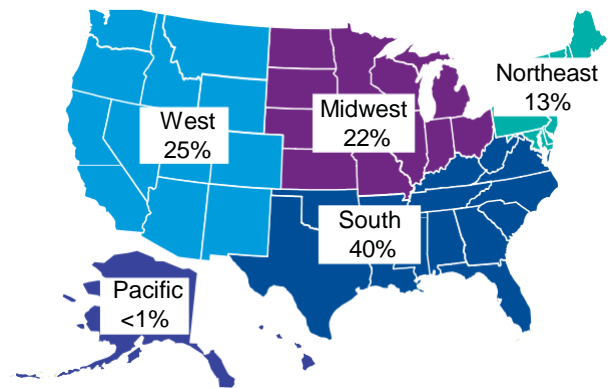
However, with mounting interest of men in improving their appearance, industry players are now focusing on making their facilities more male-friendly and investing in marketing initiatives targeted at men.



Age
Most of the medical spa clients are middle-aged; ~30% of them are Baby Boomers and ~17% are Millennials.

35-54 years	52%
55+ years	30%
17-34 years	17%
Other	1%

Medical spas – by region⁽¹⁾



- States with the Most Medical Spas
- #1 Texas
 - #2 California
 - #3 Florida

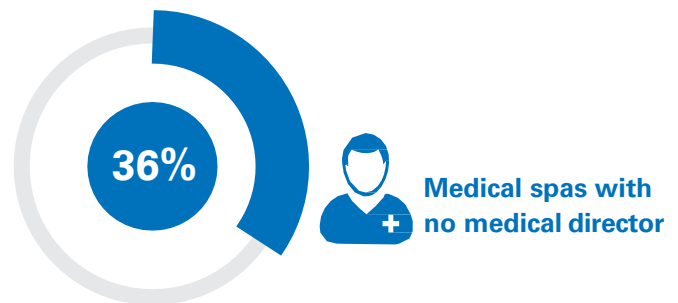
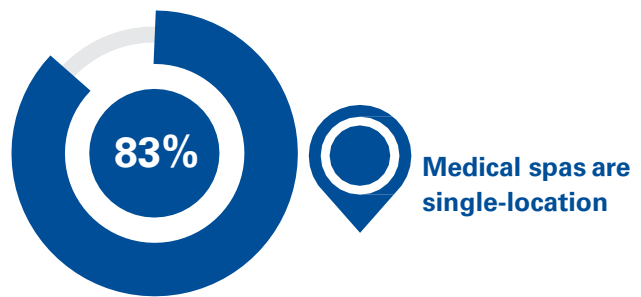
Sources: AmSpa's 2017 State of the Medical Spa Industry Report and 2019 industry snapshot, and other publicly available sources.
Note: (1) Based on an online survey of medical spa professionals conducted by AmSpa from January through March of 2017.

Growth in the medical spa market

The U.S medical spa market has grown rapidly and is currently worth close to \$4 billion. From 2013-2018, the number of medical spas increased by CAGR of 16.6 percent. This is due to an increase in disposable income, a growing contingent of younger clients, new technology, and desire among consumers to avoid surgery. Baby boomers, trying to retain their youth, make up the majority of spa customers, but future growth is expected to come from millennial consumers.

Factors driving growth:

- Technology is boosting industry growth. Advancements in nonsurgical treatments have increased availability and affordability.
- Demand for treatments that make people look and feel better. Botox injections, laser resurfacing, and body contouring align to these needs.
- Social media influencers are lessening the stigma around cosmetic treatments. Online videos of procedures and treatment feedback are helping these offerings become more mainstream.
- More than a medical spa. To create consumers for life and increase revenues, medical spas are now selling skincare products that boost the results of the treatments they provide.

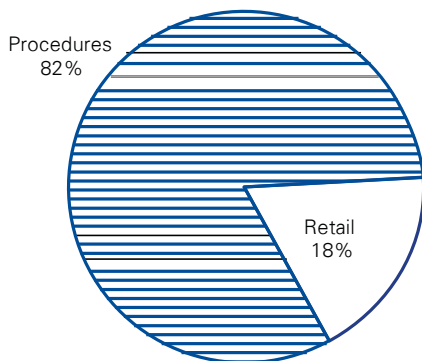


Revenue breakdown – By offerings⁽¹⁾

Procedures account for the lion's share of total medical spa revenues.

Retail products, which contribute less than 18% to the total revenues, provide service providers with significant potential for margin expansion.

These products allow facilities to make profit without investing in equipment, employee time, and specialized training.



Representative key industry players

Beverly Hills Rejuvenation Centre	Ideal Image MedSpa
Kalologie 360	OrangeTwist
Sona Dermatology & MedSpa	Venus Med Spa

Sources: AmSpa's 2017 State of the Medical Spa Industry Report and 2019 industry snapshot, and other publicly available sources.

Note: (1) Based on an online survey of medical spa professionals conducted by AmSpa from January through March of 2017.

U.S. medical spa market - an overview

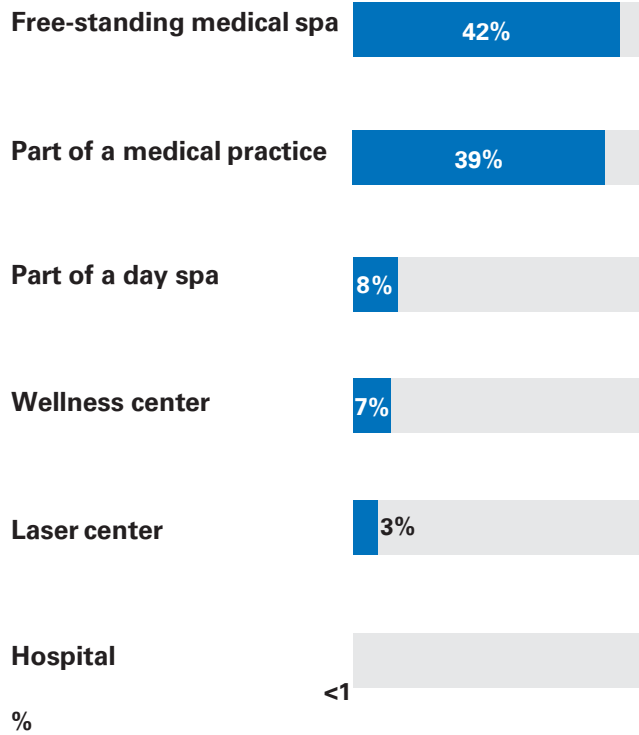


\$100-\$500

Average dollar amount spent per consumer per visit⁽¹⁾

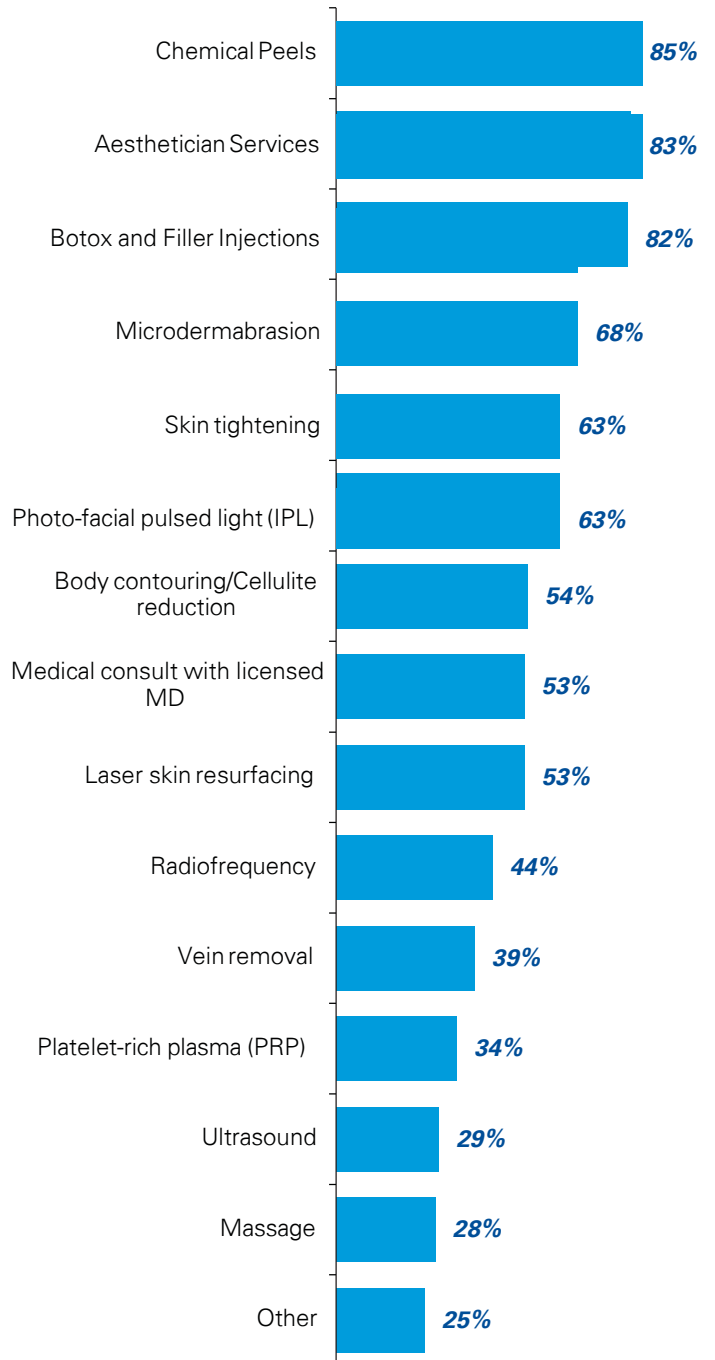


Typical Medical Spa Facility Type⁽¹⁾



Top 15 – Most popular medical spa treatments⁽¹⁾

Range of services offered by Medical spas depend upon the operator, however, the most popular procedures offered include:



Sources: AmSpa's 2017 State of the Medical Spa Industry Report and 2019 industry snapshot, and other publicly available sources.

Note: (1) Based on an online survey of medical spa professionals conducted by AmSpa from January through March of 2017.

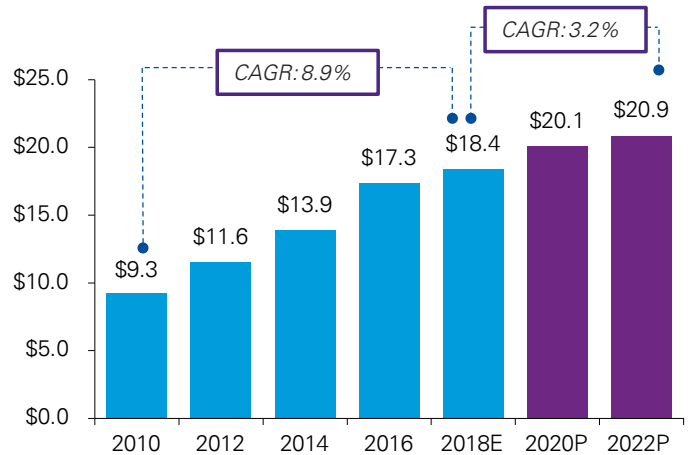
Growth in the massage therapy market

As more Americans seek out massage services, the market is expected to grow in the coming years. The U.S. massage therapy market was estimated to be valued at \$18 billion in 2018, growing at a CAGR of 8.9 percent from 2010-18. 19 percent of adult Americans received at least one massage between July 2017 and July 2018, and 31 percent received a massage in the last five years.

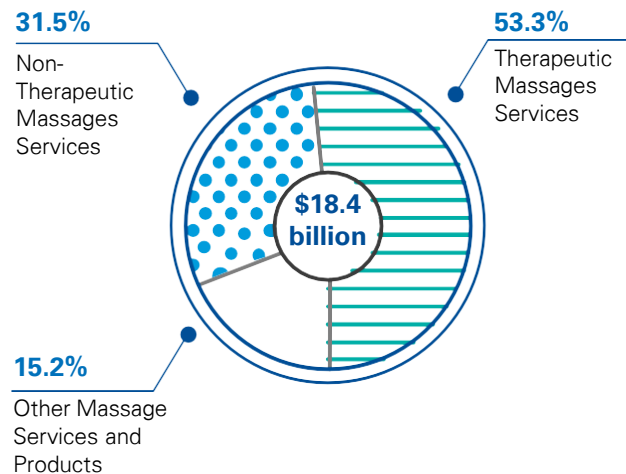
Factors driving growth:

- Millennials. This group has a strong earning potential and makes up a significant and stable market for massage services.
- Health benefits. The benefits of massage therapy in treating a variety of symptoms and conditions are becoming more accepted.
- Preventive care. As consumers seek to lower their healthcare costs, preventive measures are increasing in popularity. Consumers are using alternative care therapies like massage therapy, medication, yoga and relaxation to relieve stress and perform self-care.
- Hospitals and medical centers are also promoting these therapies by building luxurious, spa-like wellness centers for mind-body healing.

Historical and projected revenues trend (in \$ Bn)



Market segmentation – By type




Locations where consumers got a massage in 2018⁽¹⁾

Massage Therapist's Office	38%	Physical Therapist's Office	11%
Spa	33%	Beauty Salon	10%
Hotel/Resort/Cruise	19%	Workplace	7%
Home	19%	Health Club	6%
Massage Therapy Chain	19%	Alternative Therapy Clinic	4%
Chiropractor's Office	16%	Hospitals	1%
Medical Clinic	11%	Massage School Clinic	1%

Primary reason people received massage in 2018 was for health and wellness⁽¹⁾

66%

**Relaxation/
 Stress Reduction**

62%

Health or Medical (Net)

- Soreness/Stiffness/Spasm: **48%**
- Pain Relief/Management: **48%**
- Injury Recovery/Rehabilitation: **20%**
- Keep Fit/Healthy/Wellness: **48%**
- Control Headaches/Migraines: **10%**

60%

**Pampering/
 Special Occasion/
 Just to Feel Good**

Sources: Massage Therapy Industry Fact Sheet; American Massage Therapy Association, Massage Services in the U.S.; IBISWorld; Aug 2018, and other publicly available sources.

Note: (1) AMTA's 2018 Consumer Survey

Growth in the massage therapy market (cont.)



Recent Deals

May'19: Pinnacle Dermatology, a Chicago Pacific Founders portfolio company, acquired Doctor's Approach Dermatology & Med Spa as a part of Pinnacle's strategy to build a strong, multi-site dermatology practice

Mar'19: Allergan, a pharmaceutical giant, acquired Envy Medical, a company with proprietary technology in non-invasive skin resurfacing used in physician's offices, medical spas, and luxury spas

Oct'18: PWP Growth Equity invested in SkinSpirit, a premier medical spa concept. The investment will enable SkinSpirit to spur growth in new and existing markets and become a leading nationally focused brand

Recent Deals

May'19: Incorporate Massage, a provider of corporate massage and wellness, acquired Selah Bodyworks, a mobile massage therapy company that caters in on-site chair massage services

May'19: Trivest Partners signed a deal with Massage Envy, a leading provider of therapeutic massage and skin care services across its franchise network, to acquire and build 75 franchise locations

Apr'18: Fitness company Life Time Inc. acquired Massage Retreat & Spa's six locations in Minnesota in order to boost its existing spa business

Sources: Various publicly available sources.

Leisure & Wellness M&A

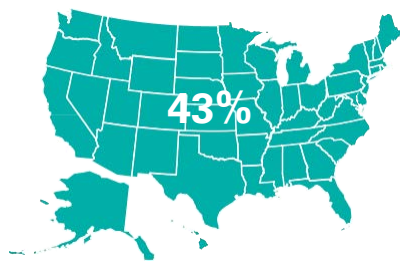
Overall deal volume increased by 1.6 percent in 1H'19 to reach 25,404 compared to 1H'18.

Disclosed deal value saw a decline of approximately 2.4 percent over the same period to approximately \$1.86 trillion. Deal making in the U.S. L&W industry sustained its momentum, outpacing the previous quarter both in terms of deal volume and value.

Factors that are impacting deal making in the United States include trade tensions, persistent qualms about the future of Brexit and increasingly delicate global economic growth. Nonetheless, large U.S.-based companies continue to take advantage of opportunities created by supportive financials markets to negotiate transformational deals in Q2'19.

M&A activity in the global L&W industry increased in the second quarter of the year, both in terms of volume and value. Disclosed deal value witnessed a significant improvement on a quarter-over-quarter basis, supported by the announcement of some large deals

Global L&W Deal Count



L&W deal activity in the U.S. increased by ~29%, with 99 deals in Q2'19, compared to 77 deals in Q2'18. The U.S. contributed 43% to the global deal volume in Q2'19, compared to 40% in Q2'18.



Recent M&A transactions (1/3)

Selected Recent Leisure & Wellness M&A Transactions (US\$ in millions)						
Announcement Date	Target	Buyer	Sub-sector	Implied Enterprise Value (TEV)	TEV/Revenue	TEV/EBITDA
9/16/2019	Newmar Corporation	Winnebago Industries, Inc. (NYSE:WGO)	Recreational Products	\$343.5	0.5x	6.2x
9/12/2019	The Bar Method	Self Esteem Brands, LLC	Fitness & Spa Facilities	-	-	-
9/12/2019	Oars + Alps LLC	S. C. Johnson & Son, Inc.	Personal Care	\$20.0	-	-
9/12/2019	Planet Fitness Franchising LLC	Taymax Fitness LLC	Fitness & Spa Facilities	-	-	-
9/4/2019	Kanstul Musical Instruments Inc.	B.A.C. Musical Instruments, LLC	Recreational Products	-	-	-
9/4/2019	Gene Larew Lures, LLC	PRADCO Outdoor Brands, Inc.	Recreational Products	-	-	-
8/29/2019	The Pooch Company, LLC	Empower Pets	Pet Products & Services	-	-	-
8/22/2019	Vitamin Packs, Inc.	Atrium Innovations Inc.	Vitamins, Minerals & Supplements	-	-	-
8/21/2019	Dwindle Distribution	Highline Industries Corporation	Recreational Products	-	-	-
8/20/2019	AR HIIT, LLC	Rock Ridge Growth Partners, LLC	Fitness & Spa Facilities	-	-	-
8/13/2019	FINEX Inc.	Anheuser-Busch InBev SA/NV	Household Products	-	-	-
8/13/2019	Sunless, Inc	Branford Castle Partners, L.P.; Castle Harlan, Inc.	Personal Care	-	-	-
8/7/2019	Accell North America, Inc.	Regent, L.P.	Recreational Products	\$15.0	-	-
8/3/2019	Milan Laser Holdings LLC	Leonard Green & Partners, L.P.	Fitness & Spa Facilities	-	-	-
7/30/2019	ThunderWorks, LLC	Ceva Sante Animale S.A.	Pet Products & Services	-	-	-
7/24/2019	Tru Brands, Inc.	Heavenly Rx Ltd.	Vitamins, Minerals & Supplements	\$9.0	-	-
7/22/2019	Platinum Performance, Inc.	Zoetis Inc.	Pet Products & Services	-	-	-
7/9/2019	Baby Fanatic Inc.	MasterPieces Inc.	Baby Products	-	-	-

Source: Capital IQ.

Recent M&A transactions (2/3)

Selected Recent Leisure & Wellness M&A Transactions (US\$ in millions)						
Announcement Date	Target	Buyer	Sub-sector	Implied Enterprise Value (TEV)	TEV/Revenue	TEV/EBITDA
6/26/2019	Torch Fitness & Nutrition LLC	Valet Living Inc.	Fitness & Spa Facilities	-	-	-
6/25/2019	Texas Beauty Labs (nka:The Goodkind Co)	Phlur, Inc.	Personal Care	-	-	-
6/25/2019	Evolv Sports & Designs Co.	OBERALP S.p.A.	Recreational Products	-	-	-
6/20/2019	Natural Chemistry Pet & Home Brand	MiracleCorp Products Corp.	Pet Products & Services	-	-	-
6/19/2019	InterVac Design Corp.	NuEra Inc.	Household Products	-	-	-
6/18/2019	26 Planet Fitness Clubs in Arkansas, Tennessee, Missouri, Mississippi, and Illinois	United PF Partners LLC	Fitness & Spa Facilities	-	-	-
6/17/2019	National Veterinary Associates, Inc.	JAB Holding Company S.à r.l.; JAB Consumer Fund	Pet Products & Services	-	-	-
6/14/2019	Sun Bum LLC	S. C. Johnson & Son, Inc.	Personal Care	-	-	-
6/13/2019	Pet Fusion LLC	Cosmic Pet LLC	Pet Products & Services	-	-	-
6/10/2019	Tatcha LLC	The Unilever Group	Personal Care	-	-	-
6/5/2019	Do Outdoors, LLC	BDT Capital Partners, LLC	Recreational Products	-	-	-
6/4/2019	The United States Playing Card Company	Cartamundi NV	Toys & Games	-	-	-
6/4/2019	Kids Station Toys Incorporated	Carson-Dellosa Publishing, LLC	Toys & Games	-	-	-
6/3/2019	RPG Innovations, LLC	Manna Pro Products, LLC	Pet Products & Services	-	-	-
5/29/2019	Certain Assets Pertaining to Joy and Cream Suds Business of Procter & Gamble Company	An Undisclosed buyer	Personal Care	\$30.0	-	-
5/28/2019	Kindergard Corporation	Metron Bios LLC	Baby Products	-	-	-
5/25/2019	CorePower Yoga, LLC	TSG Consumer Partners	Fitness & Spa Facilities	-	-	-
5/23/2019	Caliber Company	Long Range Acquisition LLC	Recreational Products	\$170.0	-	-

Source: Capital IQ.

Recent M&A transactions (3/3)

Selected Recent Leisure & Wellness M&A Transactions (US\$ in millions)						
Announcement Date	Target	Buyer	Sub-sector	Implied Enterprise Value (TEV)	TEV/Revenue	TEV/EBITDA
5/13/2019	Coppertone Business of Bayer Aktiengesellschaft	Beiersdorf Aktiengesellschaft	Personal Care	\$550.0	2.6x	-
5/9/2019	Harry's, Inc.	Edgewell Personal Care Company	Personal Care	\$1,370.0	-	-
5/9/2019	Ranir, LLC	Perrigo Company plc	Personal Care	\$750.0	2.6x	-
5/8/2019	Sergeant's Pet Care Products, Inc.	PetiQ, LLC	Pet Products & Services	\$185.0	2.0x	-
5/8/2019	Evriholder Products, LLC	Deflecto, LLC	Household Products	-	-	-
5/7/2019	21 Massage Envy locations in Chicago and Phoenix	Trivest Partners, L.P.	Fitness & Spa Facilities	-	-	-
5/7/2019	75 Massage Envy Franchises	Trivest Partners, L.P.	Fitness & Spa Facilities	-	-	-
5/6/2019	Fitness Business of Brunswick Corporation	KPS Capital Partners, LP	Fitness Equipment	\$490.0	-	-
5/6/2019	Brondow, Inc.	Cosco Enterprises, Inc.	Household Products	-	-	-
5/2/2019	Blaine Labs, Inc.	Alternate Health Corp.	Personal Care	\$19.6	1.4x	-
4/30/2019	Illuminate Nevada, LLC	OrangeTwist Aesthetic Centers	Fitness & Spa Facilities	-	-	-
4/25/2019	New Avon LLC	LG Household & Health Care Ltd.	Personal Care	\$125.0	-	-
4/18/2019	Olly Public Benefit Corporation	Unilever United States, Inc.	Vitamins, Minerals & Supplements	-	-	-
4/15/2019	spa810, LLC	Princeton Ventures Management, LLC	Fitness & Spa Facilities	-	-	-
4/11/2019	Planet Fitness franchises in the greater Philadelphia	Argonne Capital Group, LLC	Fitness & Spa Facilities	\$150.0	-	-
4/10/2019	Silikids, Inc.	Evenflo Feeding, Inc.	Baby Products	\$6.0	-	-
4/5/2019	TARA Spa Therapy, Inc.	Earthlite, LLC	Personal Care	-	-	-
4/1/2019	Classic Brands Topperscot LLC	Merit Capital Partners; Aiglon Capital Management	Pet Products & Services	-	-	-

Source: Capital IQ.

Leisure & Wellness (L&W) M&A overview

KPMG Corporate Finance LLC

KPMG Corporate Finance LLC (“KPMG CF”) is a leading investment bank to the middle market serving domestic and international clients. We offer a broad range of investment banking and advisory services. The Corporate Finance practices of KPMG International’s network of independent member firms operate in 170 countries with more than 2,500 professionals meeting the needs of clients across the globe. In 2018, KPMG⁽¹⁾ was the leading Global M&A Advisor in the Middle Market with 485 closed deals.

Leisure & Wellness Industry Practice

KPMG CF’s Leisure & Wellness investment banking team is a leader in providing customized advisory services to public and private companies throughout the global Leisure & Wellness industry. Now more than ever, consumers are embracing lifestyle choices and pursuing branded products that promote physical and mental health and wellness. Our team is well-positioned to leverage our industry experience and the global platform of KPMG⁽¹⁾ to offer customized investment banking solutions tailored to meet the specific goals and needs of our clients.

We have over 75 dedicated senior M&A bankers focused on consumer & retail in 32 countries worldwide, each with significant transaction experience, deep sector knowledge, and local market relationships with key decision makers

Note: (1) Represents the global Corporate Finance practices of KPMG International’s network of independent member firms.

Source: Capital IQ and other publicly available information.



Leading middle market M&A advisor⁽¹⁾

KPMG Corporate Finance is a leading global M&A advisor in the Middle Market

2018		No. Of deals	2008-18		No. Of deals
1	KPMG ⁽¹⁾	485	1	KPMG ⁽¹⁾	4,037
2	PwC	413	2	PwC	3,833
3	Deloitte	350	3	Deloitte	2,554
4	Rothschild & Co	329	4	Rothschild & Co	2,487
5	Houlihan Lokey	269	5	Rothschild & Co	2,441

Source: Thomson Reuters SDC; Middle market is defined as transactions less than US\$500 million.

Recent Awards



WINNER
AMERICAS
Middle Markets

WINNER: 2017 Recreation & Wellness M&A Deal of the Year and Transaction Advisory Firm of the Year



WINNER: Investment Banking Firm of the Year 2015



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Global Coverage. Industry Knowledge. Middle-Market Focus

The global Corporate Finance practices of KPMG International's network of independent member firms was ranked #1 as the top M&A middle-market adviser globally by Thomson Reuters SDC based on number of completed transactions, and has been named the #1 Global Mid-Market firm and Global Private Equity Mid-Market firm, by Bloomberg M&A Advisory League Tables, for 2017.

KPMG Corporate Finance LLC

KPMG Corporate Finance LLC was recently named Transaction Advisory Firm of the Year by The Global M&A Network, and previously named Investment Bank of the Year by The M&A Advisor. KPMG Corporate Finance LLC provides a broad range of investment banking and advisory services to its domestic and international clients. Our professionals have the experience and depth of knowledge to advise clients on global mergers and acquisitions, sales and divestitures, buyouts, financings, debt restructurings, equity recapitalizations, infrastructure project finance, capital advisory, portfolio solutions, fairness opinions, and other advisory needs.

For more information on KPMG CF, please visit www.kpmgcorporatefinance.com.

Note: (1) Represents the global Corporate Finance practices of KPMG International's network of independent member firms.

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