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JD Ford & Company is a specialized investment bank and advisory firm providing capital, business development services and mergers & acquisitions advisory to companies operating in the health, wellness and fitness industries.

JD Ford believes that success is achieved through collaboration between our team and our clients. Our collaborative approach enables us to leverage our relationships and experience with our client's knowledge of their business to consistently obtain superior results.



Healthy Future for Functional Foods & Beverages as Established Trends Continue to Gain Traction



Functional Foods and Beverages as well health supplements have continued to grow in 2009. While many companies were forced to reposition themselves in response to the global economic downturn by lowering prices, eliminating divisions, and rebranding products; many companies in the Functional Food & Beverage industry not only endured the downturn but experienced growth by capitalizing on growing consumer demand for products that make an impact on their health. As consumers continue to be proactive regarding their health, expenditures for products that consumers believe deliver a true health benefit have increased. Product functionality has become entrenched as an important consumer decision factor, generally outweighing cost sensitivity.

Even as consumers remain cautious about spending and the economy struggles to emerge from high unemployment and slow growth, JD Ford & Company predicts that the trend to purchase products that provide functional health benefits will accelerate in 2010. This will be the result of consumers increased awareness of these key trends:

- ✔ **Naturally Healthy Products:** Consumers continue to seek out products that provide benefits through natural ingredients rather than unknown chemical compounds, as evidenced by the increasing use of ingredients including superfruits, natural sweeteners from the stevia plant, fiber, probiotics, plant sterols and other natural anti-oxidant containing and energy enhancing fruits and vegetables.
- ✔ **Expert Brands:** As the number of brands claiming functional benefits increases, consumers continue to gravitate toward brands they deem to be "experts", such as Red Bull (energy), Danone Activa (probiotic) and Kellogg's Special K (weight loss), which all charge an average retail premium of 50% over competitors and saw double digit sales growth over the past year.
- ✔ **Products that Provide Noticeable Benefits:** Consumers will continue to opt for products that provide benefits they can feel. This trend is evidenced by the success of energy drinks, fiber products, weight loss products and probiotic products. Historically, consumers have been more willing to not only purchase but pay premiums for products that provide them benefits that are physically noticeable in the short term as they see these products as delivering more value for their money.



- *Fruit:* The emergence of superfruits such as coffee berry, açai and goji in recent years heralds the development of the “naturally healthy” trend. In terms of science, the fruit industry lagged behind other ingredient industries in touting health benefits. POM changed that trend with the introduction of Pomegranate as a superfruit and Oprah Winfrey promoting the concept of fruits as a healthy ingredient. As the science behind fruit is established and documented, its use in functional foods and beverages is expected to continue to expand as benefits related to digestive health, energy, and anti-inflammation move from being simply “claims” to well-documented scientific research.

While the global economic downturn has affected most segments of the economy, few industries have proven as resilient as the health and wellness industry, with functional ingredients leading the way. As many consumer products companies struggle to maintain market share in the face of a prolonged downturn, JD Ford & Company predicts that many Functional Food and Beverage companies will have excellent sales growth as they capitalize on existing industry trends and the consumers’ willingness to not only spend but pay premiums to improve their health and wellbeing.

Health & Wellness M&A Transactions

As global economies stabilized and began to recover in the last half of 2009, M&A activity followed suit, rebounding in terms of both volume and aggregate deal value. The health and wellness sector continued to provide attractive acquisition targets for buyers seeking to purchase revenue growth. Both strategic and financial buyers sought to capitalize on consumers’ move toward healthy lifestyles and the resilient growth associated with health and wellness companies. Many of the strongest companies in this sector of the economy saw double digit sales growth during the year.

In the fourth quarter of 2009, acquisition activity increased in all segments of the health and wellness industry from specialty food and beverage producers to supplement and nutraceutical developers. Strategic buyers continued to dominate the competitive landscape; however, financial buyers seeking attractive investment opportunities to offset losses in the previous year continued to deploy capital despite paralysis in the credit markets.

Multiples in the health and wellness industry have declined somewhat since the highs seen in 2007, but remain attractive, especially for niche and specialty product companies offering well known brands, or products capitalizing on dominant trends. This is exemplified in Olam International’s acquisition of Purecircle Ltd, a producer of stevia based natural sweeteners for 11.0x revenue; and in Sanofi-Aventis’ acquisition of popular personal product company Chatterm Inc. for 13.9x EBITDA. JD Ford & Company expects acquisition activity to accelerate as credit markets improve and global economies recover in the coming months. This is good news for companies positioned well in the attractive health and wellness industry.

Date	Company	Buyer	Deal Size (\$MM)	Multiple of	
				Revenue	EBITDA
12/21/2009	Changbai Eco-Beverage Co., Ltd.	Ankang (Dalian) Agriculture Ltd.	\$ 10.25	-	-
12/21/2009	Jones Soda Co. (NasdaqCM:JSDA)	Big Red, Inc.	\$ 8.30	0.08x	-
12/20/2009	Chatterm Inc. (NasdaqGS:CHTT)	Sanofi-Aventis (ENXTPA:SAN)	\$ 2,247.79	4.77x	13.96x
12/20/2009	Sturm Foods, Inc.	Treehouse Foods Inc. (NYSE:THS)	\$ 660.00	1.94x	-
12/18/2009	Purecircle Ltd. (AIM:PURE)	Olam International Limited (SGX:O32)	\$ 53.33	11.06x	-
12/13/2009	Simple Health & Beauty Limited	Alberto-Culver Company (U.K.), Limited	\$ 389.83	3.93x	-
12/11/2009	OWaters LLC	DS Waters of America, Inc.	-	-	-
12/09/2009	Nautilus Inc., Certain Commercial Business Assets	-	\$ 12.30	-	-
12/07/2009	Speciality Foods India Private Limited	Nestle India Ltd. (BSE:500790)	-	-	-
12/03/2009	Whitaker Foods, Inc.	Advance Food Company, Inc.	-	-	-
11/23/2009	Sangster’s Health Centres, Inc.	-	-	-	-
11/19/2009	Bouty Healthcare Spa (CM:BTY)	IBSA Farmaceutici Italia Srl	\$ 10.72	0.67x	10.28x
11/19/2009	Vitality Foodservice, Inc.	Nestle Professional	-	-	-
11/12/2009	Balance Bar Company	Brynwood Partners	-	-	-
11/06/2009	Expresso Fitness Corporation	Interactive Fitness Holdings, LLC	-	-	-
10/27/2009	Whole In One Organics, Ltd.	Aero Financial, Inc.	-	-	-
10/26/2009	Hutchison Healthcare Limited	Hutchison China MediTech Ltd. (AIM:HCM)	\$ 0.62	-	-
10/23/2009	Juicebar Srl	Caffé Ottolina SpA	-	-	-
10/15/2009	Natural Beauty Bio-Technology Ltd. (SEHK:157)	The Carlyle Group	\$ 323.66	3.60x	8.39x



JD Ford & Company Health & Wellness Indices

As a leading investment bank focusing on the health and wellness sector, JD Ford & Company has compiled several market indices to gauge the performance of companies operating in several segments of the international health & wellness industry. Specifically, companies have been segmented into 3 categories based on the products/services they provide: (1) Food & Beverage, (2) Supplements & Nutraceuticals, and (3) Exercise and Fitness.

While share prices of global health and wellness companies experienced declines since peaking in 2007, most continue to rebound along with the global stock markets as consumer confidence increases, investors return to the markets and credit markets improve. Overall, the Supplement & Nutraceutical index has improved most favorably after experiencing less pronounced declines versus other health and wellness industry subsegments from Q1 2008 to Q1 of 2009. Because many supplement and nutraceutical companies operate in the pharmaceutical industry, they provide

some products that are traditionally recession resistant, the sales of which can offset losses seen in OTC and supplement sales. The Exercise & Fitness Index has outpaced that of the Food & Beverage index in recent months, regaining approximately 40% of the value shed since the beginning of 2008.

To discuss how current market activity may impact your business or shareholder value, please contact us at 888.999.9495 ext. 2011.

JD Ford Health & Wellness Indices 2008-2009

