

MEDSPA MARKET OVERVIEW

Q2 2024

AN AFFILIATE OF



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INDUSTRY OVERVIEW

BOOMING SECTOR AT THE INTERSECTION OF BEAUTY & MEDICINE

MEDSPAS ARE EXPECTED TO GROW TO ~\$32B THROUGH 2027 DRIVEN BY A CONFLUENCE OF ENDURING MACRO AND SOCIETAL TAILWINDS

OVERVIEW

- MedSpas are a combination of a cosmetic non-surgical medical center and a day spa offering an elevated customer experience
- MedSpas in the US nearly doubled since 2018 reaching 9k+ in 2023, expected to grow to 12k+ by 2027 (a 28% increase)
- TAM is estimated at ~\$19B, growing at 14.7%, and expected to continue to increase due to many favorable secular macro tailwinds
- Highly fragmented sector with numerous local and regional operators that compete on quality, service offering, and social media presence
- Attractive unit economics, revenue cycle dynamics, recurring nature of services, and growing popularity support rapid enduring growth
- Large number of targets and acquirors, of which PE are the most active with 15+ platform and add-on acquisitions in 2023 alone and growing

FAVORABLE SECULAR MACRO TAILWINDS



Increased Cultural Acceptance



Rising Participation



Growing Number of Treatments



Zoom Boom & Increased Focus on Appearance



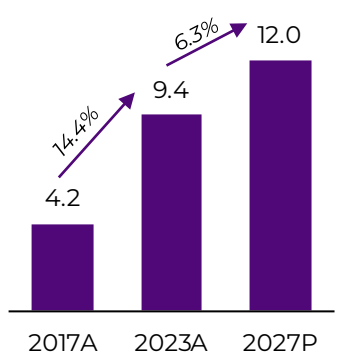
Social Media Proliferation



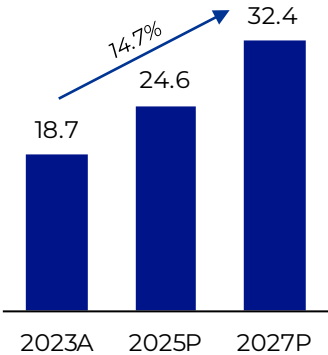
Aging Population and Focus on Wellness

RAPIDLY GROWING MARKET

U.S. MedSpa Locations (in k)



U.S. MedSpa TAM (in \$B)



REPRESENTATIVE SERVICES



Chemical Peels



Injectables



Microdermabrasion



Photo-Facial



Skin Tightening



Body Contouring

MEDSPAS BY THE NUMBERS

NUMEROUS POSITIVE INDUSTRY METRICS

FAVORABLE CLIENT DEMOGRAPHICS



88%

Share of MedSpa procedures used by women



78%

of female customers are younger than 55



35-54

Largest customer age group at **52%**

REVENUE / SPEND MIX^(A)



53%

Neurotoxins and dermal fillers



24%

Skin treatments (e.g., laser)



15%

Body contouring, hair removal



\$536

Average spend per visit

TOP FIVE SERVICES BY POPULARITY^(B)



85%

Chemical peels



82%

Toxins & filler injections



68%

Microdermabrasion



63%

Photo-facial pulsed light



63%

Skin tightening

CLINICIAN AND SITE METRICS



70,000

Professionals employed by MedSpas



63%

of MedSpas owned by non-physicians & non-surgeons



~\$2.0M

Annual revenue generated by a single-location

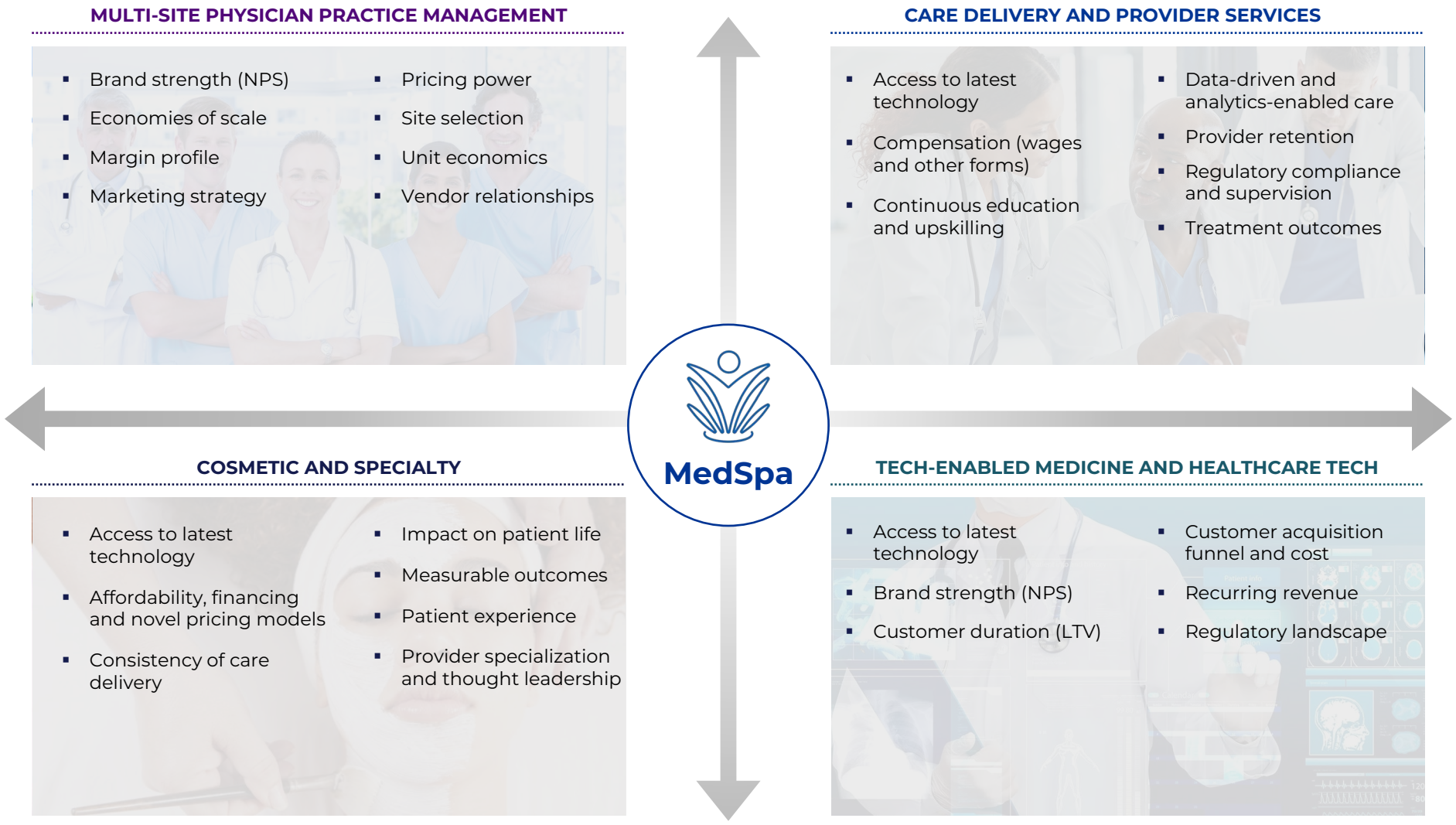
Source: The Aesthetic Society, American Med Spa Association.

a) Based on top three non-surgical procedures as a percent of 2022 non-surgical revenue.

b) Measured as the percent of MedSpa customers that purchased each of listed treatments.

INTERSECTION OF WELL-ESTABLISHED SEGMENTS WITH NEW CONSUMER TRENDS

SOLOMON HEALTHCARE TEAM HAS DEEP TRANSACTION EXPERIENCE ACROSS KEY VERTICALS IN THE MEDSPA SECTOR AND KNOWS THE VALUE-DEFINING THEMES



THE CORE OF A BOOMING WELLNESS INDUSTRY

MEDSPAS ARE THE ENTRY POINT TO A MUCH LARGER TAM IN HEALTH AND WELLNESS

MASSIVE RAPIDLY GROWING U.S. MARKET...



...FUELED BY POWERFUL ENDURING TRENDS

Products and services related to appearance, cosmetic, skincare, sleep, wellness and mindfulness

- Evolving attitudes about wellness, beauty, and healthy aging expand the market to include hormones, vitamins, other clinically approved products and devices that previously were considered specialty

Skincare, haircare, fragrance, and makeup used at day spas, MedSpas, aesthetic centers

- Skin longevity is the next frontier: as life expectancy increases, people want healthier skin
- Social pressure: those who do not participate in wellness risk social penalties due to appearing older and less healthy

Clinics overseen by licensed medical professionals that provide non/minimally invasive, and invasive treatments and spa-like services

- New drugs and treatments may create demand: rapid weight loss induced by GLP-1 drugs, may require skin tightening procedures to combat “Ozempic face”

Nexus of full-body professional non-surgical treatments in a relaxing setting focused on relaxation, rejuvenation, safety and wellness

- Bridges the gap between professional medical treatment and consumer skincare with professional skincare
- “At-home” medspa-like treatments serve as maintenance between visits, not replacement, increasing the TAM
- With increased focus on health and wellness, “skintellectual” consumers demand advanced non-surgical skin procedures

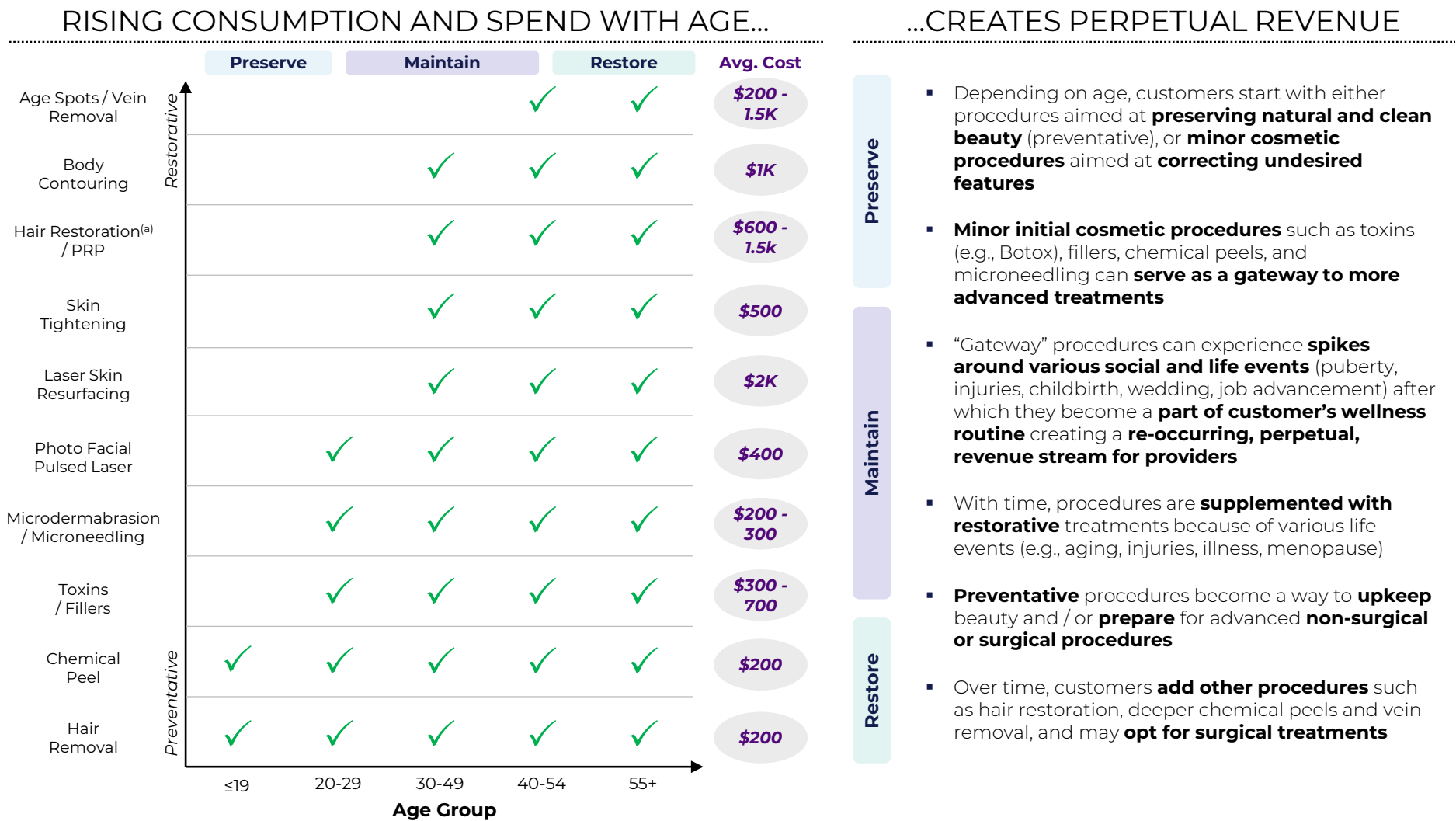
Source: American Med Spa Association, National Laser Institute, Grandview Research, International Society of Aesthetic Plastic Surgery (ISAPS), leading consulting firm.

a) Aesthetic, Beauty & Skincare, and Health & Wellness growth rates based on global market. Covers '22-'27 except for Aesthetic Medicine Market, which spans '23-'30.

b) Refers to surgical and non-surgical procedures performed by plastic surgeons such as liposuction, breast implants, blepharoplasty.

USED ACROSS ALL AGES DRIVING HIGH CUSTOMER LIFETIME VALUE

CUSTOMERS TYPICALLY INCREASE USE OF MEDSPA SERVICES OVER TIME AND DRIVE AWARENESS REINFORCING DEMAND



LARGE AND FRAGMENTED MARKET

MEDSPA IS A HIGHLY ATTRACTIVE SECTOR IN THE MARKET GIVEN ITS BREADTH OF SERVICES AND DEGREE OF SPECIALIZATION

		SERVICE	EXAMPLE	SALONS & SPAS	HOSPITALITY & GYMS	MEDICAL SPA	DERMATOLOGY CLINICS	PLASTIC SURGERY
Spectrum of Specialization	Specialist	Specialized, non-surgical, partially invasive	Spider vein reduction, vaginal rejuvenation, hair transplant			✓	✓	✓
		Equipment-dependent services	CoolSculpting, HydraFacial, laser epilation		✓	✓	✓	✓
		Require additional certification and training	PRP, peptides, hormone optimization			✓	✓	✓
		Specialized, require standard certification	Facials, skin products	✓	✓	✓	✓	✓
	Generalist	General, require basic certification	Toxins, fillers, microneedling, advanced skin care	✓	✓	✓	✓	✓

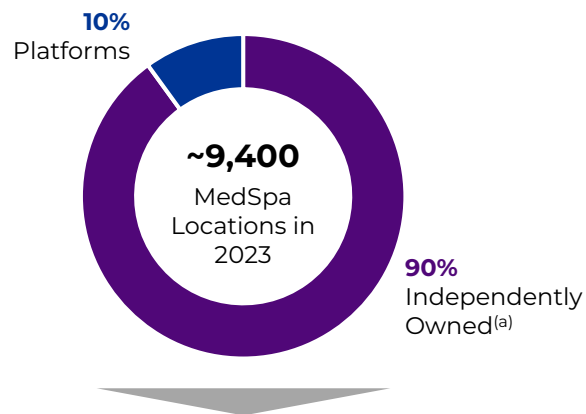


SECTOR ACTIVITY AND THEMES

PRIVATE EQUITY IS VERY ACTIVE IN THE SECTOR

STRONG INDUSTRY TAILWINDS, RAPID PROFITABLE GROWTH, AVAILABILITY OF VALUE CREATION PLAYBOOK HAVE IGNITED PRIVATE EQUITY INTEREST IN THE SECTOR

HIGH INDUSTRY FRAGMENTATION...



...WITH ATTRACTIVE CORE DYNAMICS

- ✓ Rapidly growing, highly fragmented market ripe for consolidation
- ✓ High margin, paid-in-cash services eliminating reimbursement risk
- ✓ Sustainable competitive advantages and pricing power for physician-led, medically licensed practices
- ✓ Long-term tailwinds from rising disposable income, aging population, and increased focus on health and beauty
- ✓ Synergistic opportunities at scale (e.g., cross-selling, patient acquisition, staff training, back-office consolidation)

NOTABLE & RECENT AESTHETICS TRANSACTIONS

Target / Acquiror	Inv. Date	Locations ^(b)	States / Region
FORMULAWELLNESS / TRIVE CAPITAL	Mar-24	5	TX
AP AESTHETIC PARTNERS / NORWEST	Nov-23	20	CA, FL, TX, VA
UNITED AESTHETICS ALLIANCE / VARSITY HEALTHCARE PARTNERS	Sep-23	3+	MN
SEV / LEVINE LEICHTMAN CAPITAL PARTNERS	Jun-23	30+	Nationwide
CS LC COSMETIC SKIN & LASER CENTER / INCLINE EQUITY PARTNERS	May-23	9	FL, MI
alpha AESTHETICS PARTNERS / TG THURSTON GROUP	Apr-23	15	CA, NY, TX, VA
Advanced Aesthetics Partners / R Riviera Capital	Oct-22	n/a	UK, US
Elaste / IMPERIAL CAPITAL	Oct-22	13	FL, ID, UT
SKIN & SPIRIT / KKR	Sep-22	41	Nationwide
EMPOWER AESTHETICS / SHORE Capital Partners	Sep-22	12	NY, TN, TX
AMP / LEON Capital Group	Jul-22	44	Nationwide
Athenix BODY SCULPTING INSTITUTE / LATTICEWORK CAPITAL MANAGEMENT	Dec-21	7	AZ, CA, KY, MA, NV, TX, VA
INSPIRE AESTHETICS / HIDDEN HARBOR CAPITAL PARTNERS	Dec-21	10	AL, AZ, FL, GA, VA
Ideal Image® / TPG GROWTH	May-21	150+	Nationwide
The Skin Center / ALZA CAPITAL PARTNERS	Jan-20	10	PA, OH
MEDSPA PARTNERS ^(c) / PCP	Nov-19	41	Canada, AZ, CA, FL, IL, NY, NC, PA, TN, WA
LASER MD med spa / POTOMAC EQUITY PARTNERS	Jul-19	15	MA, PA

Source: American Med Spa Association, National Laser Institute.





a) Owned by individuals, not platforms or investment firms, based on 2022.

b) Approximate number of locations as of Q1 2024 or at time of acquisition.

c) Completed continuation vehicle in 2023.

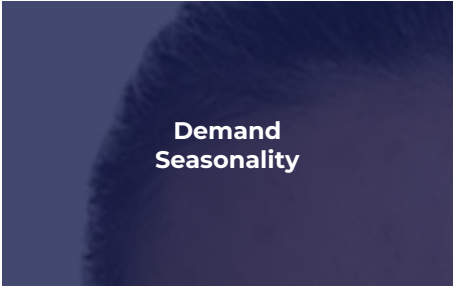
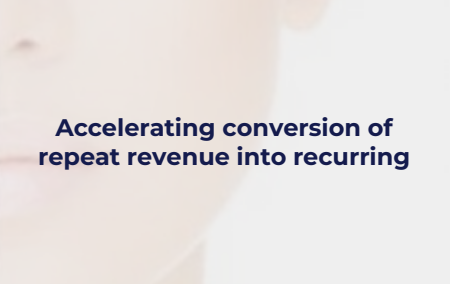
INVESTOR AREAS OF FOCUS

PLATFORMS WILL NEED TO PROACTIVELY ADDRESS KEY AREAS OF INVESTOR FOCUS

FOCUS AREA	DETAIL	CONSIDERATIONS
 <p>Regulatory Compliance & Ethical Scrutiny</p>	 <p>MedSpas operate at the intersection of beauty and medicine – regulatory compliance is critical</p>	<ul style="list-style-type: none">▪ Hire trained clinicians licensed by reputable industry bodies▪ Invest in compliance function and implement dedicated clinical oversight across locations▪ Leverage technology and implement EHR systems to increase transparency between providers, locations and patients▪ Physician oversight may be needed for compliance and to signal quality, but not all physicians must be surgeons or dermatologists
 <p>Competitive Landscape</p>	 <p>Large number of MedSpas can make it difficult to stand out</p>	<ul style="list-style-type: none">▪ Large number of MedSpas can create a perception of crowding; however, quality assets quickly rise to the top▪ Establish a competitive strategy (e.g., quality, breadth of services, scale) and align offerings; expand services consistent with strategy▪ Standardize procedures and streamline support functions to increase profitability and ensure consistent performance▪ Diversify revenue and pursue margin expansion as a differentiator
 <p>Shifting Consumer Trends</p>	 <p>Definitions of beauty and wellness are constantly shifting, often virally</p>	<ul style="list-style-type: none">▪ Monitor trends to stay ahead of “skintellectuals” and anticipate demand – 95% of customers under 40 come with product preference▪ Educate clientele on the right treatments for them to ensure positive patient experience and clinical outcome▪ Maintain an active social media presence to engage with clients to educate and shape their preferences


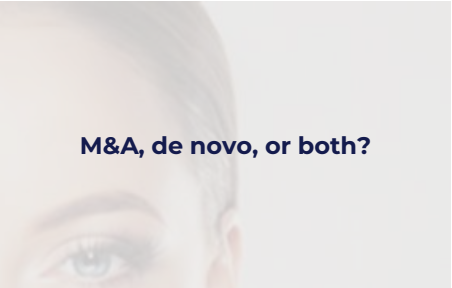

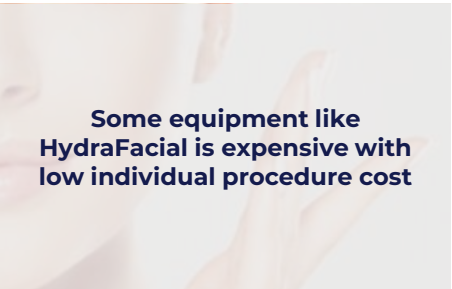
INVESTOR AREAS OF FOCUS (CONT.)

PLATFORMS WILL NEED TO PROACTIVELY ADDRESS KEY AREAS OF INVESTOR FOCUS

FOCUS AREA	DETAIL	CONSIDERATIONS
 Demand Seasonality	 Increased focus on beauty and appearance during the summer months	<ul style="list-style-type: none">▪ Offer service packages geared for upcoming seasonal events to pull through demand from peak months and normalize revenue▪ Design thoughtful promotions aligned with brand image (e.g., discounts, gamification, referrals, specials) to capitalize on holiday spend but spread service over the year▪ Show successful track record of supplementing procedure revenue with retail sales
 Recruitment & Training	 Increased labor costs and turnover are critical to manage	<ul style="list-style-type: none">▪ Nurture positive employee culture; hire in line with culture and values▪ Offer competitive compensation and production-based bonuses, as needed, to retain key clinicians and motivate employees▪ Cultivate referral network for staff and clinicians to rapidly replace churn; clinician shortage can dampen growth▪ Develop an efficient and ongoing training program that focuses on patient safety and service quality
 Payment Models	 Accelerating conversion of repeat revenue into recurring	<ul style="list-style-type: none">▪ Chose the right payment model (e.g., advance purchase discounts, credits plan) and combine with promos, discounts, financing and loyalty programs to capture, retain and smooth revenue▪ The right payment model can help diversify and secure revenue as well as increase client visits▪ Leverage tech-enabled solutions to increase customer traffic, referrals, and revenue

INVESTOR AREAS OF FOCUS (CONT.)

PLATFORMS WILL NEED TO PROACTIVELY ADDRESS KEY AREAS OF INVESTOR FOCUS

FOCUS AREA	DETAIL	CONSIDERATIONS
 <p>Growth Strategy</p>	 <p>M&A, de novo, or both?</p>	<ul style="list-style-type: none">▪ Crisp M&A parameters underpinned by a strong M&A pipeline▪ Pipeline source, conversion and historical valuations▪ Post M&A revenue and EBITDA performance – key growth levers▪ Integration – standardized practice management, integration time▪ Augment M&A with a de novo strategy and add additional services
 <p>High Upfront Equipment Cost</p>	 <p>Some equipment like HydraFacial is expensive with low individual procedure cost</p>	<ul style="list-style-type: none">▪ Difference between upfront high cost of certain specialized equipment (e.g., HydraFacial at ~\$40k) vs. low procedure cost (~\$200) creates long payoff cycle▪ Demonstrate ability to accelerate payoff and drive ROI by creating demand for equipment-based services ahead of purchase / roll out▪ Being the only provider with costly equipment can create local scarcity, other providers may want to partner driving additional client traffic that can be cross sold
 <p>Cash pay vs. insurance coverage</p>	 <p>Partial coverage of specific procedures</p>	<ul style="list-style-type: none">▪ Generally, insurance providers need quantified benefit and proven reduction in cost-of-care to reimburse cost of procedures▪ Some procedures are already covered, such as scalp Botox injections; development of new treatments and applications can increase likelihood of insurance coverage▪ Partner with select employers that may cover certain MedSpa services as part of their perks

HEALTHCARE GROUP OVERVIEW

CORE HEALTHCARE TEAM



Jon Hammack

Partner, Group Head
MedTech



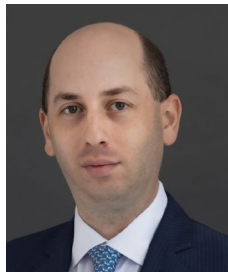
Karan Garg

Partner, Head of
Healthcare Services



Brad Hildebrand

Managing Director
Healthcare Services



Aryeh Sand

Managing Director
Life Sciences



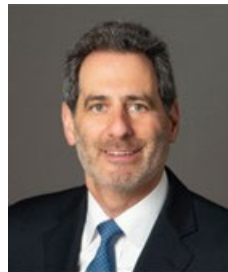
Eric Bormel

Director
Consumer HealthTech



Marc Cooper

CEO



David Shiffman

Partner, Co-Head of
Consumer Retail



**Vitalie
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Vice President



**Mustafa
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Vice President



**Cristian
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Vice President



**Adam
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Vice President



**Elliott
Theuerkauf**

Vice President



**Joseph
Stein**

Partner
Financial Advisory



**Sash
Rentala**

Partner
Financial Sponsors

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Taylor Coleman
Owen Mansfield

Devonte Middleton
Brandon Schwartz

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John Struik
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Karan has 20+ years of experience and leads the healthcare services group

He focuses on advising founders and private equity clients on sell-side and buy-side M&A, private debt financings, and equity raise transactions across the healthcare services landscape

Karan covers the healthcare services sector with a particular focus on multi-site and physician practice sub-sectors, among others



Brad Hildebrand

Managing Director
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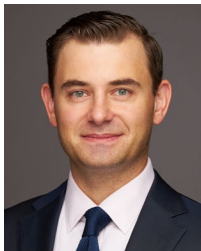
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Vitalie has 10+ years of investment banking, private equity and consulting experience

He advised on sell-side M&A, equity and debt financing, and strategic alternatives for founder-led, private equity-backed and public clients in the healthcare, technology and consumer space

Vitalie covers the healthcare services sector with a focus on multi-site and physician practice sub-sectors

WHO WE WORK WITH

- Rapidly growing young and established platforms
- Leading verticals, companies and management teams
- Market leaders with strong organic growth
- Proven M&A platforms
- Strong, sustainable gross and EBITDA margins
- Technology-enabled disruptors and leaders in their markets

MARKET LEADING MOMENTUM WITHIN MULTI-SITE HEALTHCARE

40+
Completed
Healthcare
Services
Transactions in
the Last 5 Years

\$20bn+

in Healthcare
Services EV
Transacted in the
Last 5 Years

Deep Sector
Expertise

Unrivalled Sector
Relationships

SELL-SIDE

FastMed
Sold to
BlueCross BlueShield
of North Carolina
HONORHEALTH **HCA**
Healthcare

Retail Healthcare

PARADIGM
ORAL HEALTH
Majority
Recapitalization by
BlackRock

PPM

Sold to
hopebridge

Behavioral

AMS
Majority
Recapitalization by
VSS

PPM

RODEO DENTAL
Majority
Recapitalization by
BainCapital

Retail Healthcare

Lightwave
Launch Lead Legacy
Majority
Recapitalization by
LINDSAY GOLDBERG

Retail Healthcare

Altima
DENTAL
Merged with
123DENTIST

Retail Healthcare

DECA
DENTAL GROUP
Majority
Recapitalization by
Blackstone

Retail Healthcare

COP canadian
orthodontic
partners
Majority
Recapitalization by
Pamlico

Retail Healthcare

CRH **HEALTHCARE**
Majority
Recapitalization by
FS Freeman Spogli & Co.

Retail Healthcare

mosaic
DENTAL COLLECTIVE
Majority
Recapitalization by
Audax Private Equity

Retail Healthcare

Smile Doctors
Majority
Recapitalization by
THL

Retail Healthcare

American
Dental
Partners
Sold to
HEARTLAND
DENTAL

Retail Healthcare

HOPCo
Healthcare Outcomes Performance
Majority
Recapitalization by
LINDEN **Audax**

PPM

SPECTRUM
VISION PARTNERS
Majority
Recapitalization by
BLUE SEA CAPITAL

PPM

BUY-SIDE

InTandem
Majority
Recapitalization of
OrthoNebraska

PPM

APOLLO
Majority
Recapitalization of
GI
Alliance

PPM

OAK HILL CAPITAL
Majority
Recapitalization of
USOSM **U.S. Oral Surgery**
Management

PPM

cerberus
Majority
Recapitalization of
Lighthouse
AUTISM CENTER

Behavioral

KOHLBERG
K COMPANY
Majority
Recapitalization of
SPIRE
ORTHOPEDIC PARTNERS

PPM

FINANCING

HF HIGH
FIVE
HEALTHCARE
Secured a Senior Secured
Credit Facility from
COMVEST
PARTNERS

Retail Healthcare

HF HIGH
FIVE
HEALTHCARE
Received growth
equity from
NORWEST

Retail Healthcare

DENTIVE
Secured a Senior Secured
Credit Facility from
FORTRESS **Crestline**

Retail Healthcare

USOSM **U.S. Oral Surgery**
Management
Secured a Senior Secured
Credit Facility from
Kayne Anderson

PPM

NDX
Secured a Debt
Facility from
Various

Lab

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