

# 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



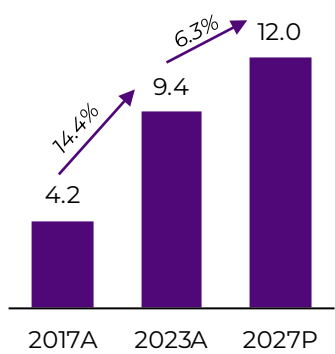
Social Media Proliferation



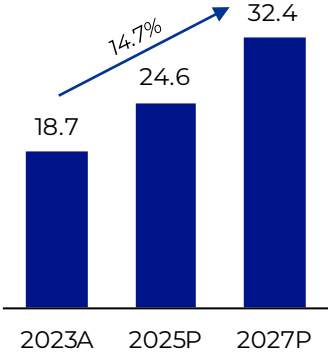
Aging Population and Focus on Wellness

## 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<sup>(A)</sup>



**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<sup>(B)</sup>



**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

## MULTI-SITE PHYSICIAN PRACTICE MANAGEMENT

- Brand strength (NPS)
- Economies of scale
- Margin profile
- Marketing strategy
- Pricing power
- Site selection
- Unit economics
- Vendor relationships

## CARE DELIVERY AND PROVIDER SERVICES

- Access to latest technology
- Compensation (wages and other forms)
- Continuous education and upskilling
- Data-driven and analytics-enabled care
- Provider retention
- Regulatory compliance and supervision
- Treatment outcomes



## COSMETIC AND SPECIALTY

- Access to latest technology
- Affordability, financing and novel pricing models
- Consistency of care delivery
- Impact on patient life
- Measurable outcomes
- Patient experience
- Provider specialization and thought leadership

## TECH-ENABLED MEDICINE AND HEALTHCARE TECH

- Access to latest technology
- Brand strength (NPS)
- Customer duration (LTV)
- Customer acquisition funnel and cost
- Recurring revenue
- Regulatory landscape

# 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

## RISING CONSUMPTION AND SPEND WITH AGE...

	Preserve	Maintain	Restore	Avg. Cost	
Age Spots / Vein Removal			✓	\$200 - 1.5K	
Body Contouring		✓	✓	\$7K	
Hair Restoration <sup>a)</sup> / PRP		✓	✓	\$600 - 1.5k	
Skin Tightening		✓	✓	\$500	
Laser Skin Resurfacing		✓	✓	\$2K	
Photo Facial Pulsed Laser	✓	✓	✓	\$400	
Microdermabrasion / Microneedling	✓	✓	✓	\$200 - 300	
Toxins / Fillers	✓	✓	✓	\$300 - 700	
Chemical Peel	✓	✓	✓	\$200	
Hair Removal	✓	✓	✓	\$200	
	≤19	20-29	30-49	40-54	55+

**Age Group**

## ...CREATES PERPETUAL REVENUE

- Preserve
  - Depending on age, customers start with either procedures aimed at **preserving natural and clean beauty** (preventative), or **minor cosmetic procedures** aimed at **correcting undesired features**
  - Minor initial cosmetic procedures** such as toxins (e.g., Botox), fillers, chemical peels, and microneedling can **serve as a gateway to more advanced treatments**
- Maintain
  - “Gateway” procedures can experience **spikes around various social and life events** (puberty, injuries, childbirth, wedding, job advancement) after which they become a **part of customer’s wellness routine** creating a **re-occurring, perpetual, revenue stream for providers**
- Restore
  - With time, procedures are **supplemented with restorative** treatments because of various life events (e.g., aging, injuries, illness, menopause)
  - Preventative** procedures become a way to **upkeep beauty and / or prepare** for advanced **non-surgical or surgical procedures**
  - Over time, customers **add other procedures** such as hair restoration, deeper chemical peels and vein removal, and may **opt for surgical treatments**



# 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
Specialist	<b>Specialized, non-surgical, partially invasive</b>	Spider vein reduction, vaginal rejuvenation, hair transplant			✓	✓	✓
	<b>Equipment-dependent services</b>	CoolSculpting, HydraFacial, laser epilation		✓	✓	✓	✓
	<b>Require additional certification and training</b>	PRP, peptides, hormone optimization			✓	✓	✓
	<b>Specialized, require standard certification</b>	Facials, skin products	✓	✓	✓	✓	✓
Generalist	<b>General, require basic certification</b>	Toxins, fillers, microneedling, advanced skin care	✓	✓	✓	✓	✓

Specialist

Spectrum of Specialization

Generalist

Note: as specialization increases, providers require additional training and, depending on the state laws, physician supervision.

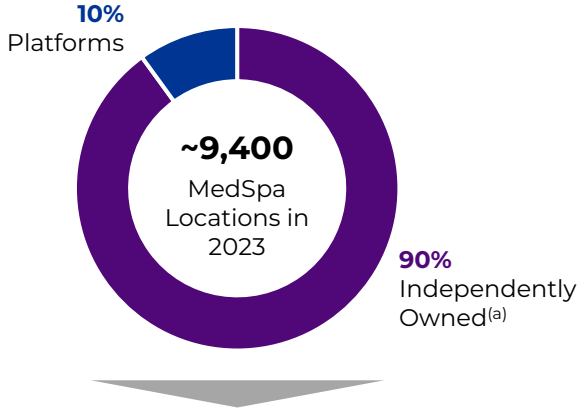
A woman with long dark hair, wearing a white cardigan, is smiling and looking upwards. She is sitting in a white dental chair. In the background, there are two people wearing blue scrubs and blue gloves, likely dental staff, one of whom is touching the woman's hair. The overall scene is brightly lit and has a clean, clinical feel.

# 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


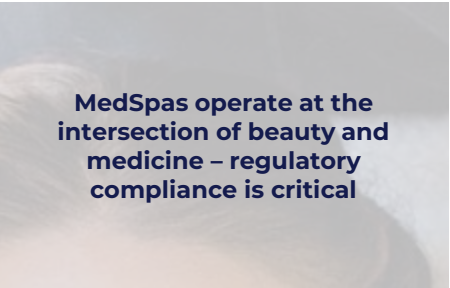

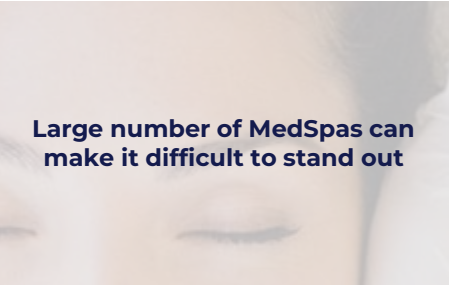


Target / Acquiror	Inv. Date	Locations <sup>(b)</sup>	States / Region
FORMULAWELLNESS / TRIVE CAPITAL	Mar-24	5	TX
AP AESTHETIC PARTNERS / NORWEST	Nov-23	20	CA, FL, TX, VA
UNITED AESTHETICS ALLIANCE / VARSITY HEALTHCARE PARTNERS	Sep-23	3+	MN
SEV / LEVINE LEICHTMAN CAPITAL PARTNERS	Jun-23	30+	Nationwide
CS LC COSMETIC SKIN & LASER CENTER / INCLINE EQUITY PARTNERS	May-23	9	FL, MI
alpha AESTHETICS PARTNER / TG THURSTON GROUP	Apr-23	15	CA, NY, TX, VA
Advanced Aesthetics Partners / R Riviera Capital	Oct-22	n/a	UK, US
Elase / 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 <sup>(c)</sup> / PCP	Nov-19	41	Canada, AZ, CA, FL, IL, NY, NC, PA, TN, WA
LASERMD <sup>med spa</sup> / 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><b>Regulatory Compliance &amp; Ethical Scrutiny</b></p>	 <p><b>MedSpas operate at the intersection of beauty and medicine – regulatory compliance is critical</b></p>	<ul style="list-style-type: none"><li>▪ Hire trained clinicians licensed by reputable industry bodies</li><li>▪ Invest in compliance function and implement dedicated clinical oversight across locations</li><li>▪ Leverage technology and implement EHR systems to increase transparency between providers, locations and patients</li><li>▪ Physician oversight may be needed for compliance and to signal quality, but not all physicians must be surgeons or dermatologists</li></ul>
 <p><b>Competitive Landscape</b></p>	 <p><b>Large number of MedSpas can make it difficult to stand out</b></p>	<ul style="list-style-type: none"><li>▪ Large number of MedSpas can create a perception of crowding; however, quality assets quickly rise to the top</li><li>▪ Establish a competitive strategy (e.g., quality, breadth of services, scale) and align offerings; expand services consistent with strategy</li><li>▪ Standardize procedures and streamline support functions to increase profitability and ensure consistent performance</li><li>▪ Diversify revenue and pursue margin expansion as a differentiator</li></ul>
 <p><b>Shifting Consumer Trends</b></p>	 <p><b>Definitions of beauty and wellness are constantly shifting, often virally</b></p>	<ul style="list-style-type: none"><li>▪ Monitor trends to stay ahead of “skintellectuals” and anticipate demand – 95% of customers under 40 come with product preference</li><li>▪ Educate clientele on the right treatments for them to ensure positive patient experience and clinical outcome</li><li>▪ Maintain an active social media presence to engage with clients to educate and shape their preferences</li></ul>


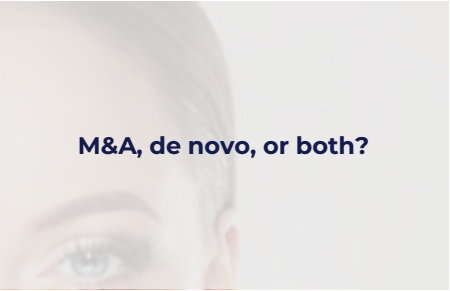



# INVESTOR AREAS OF FOCUS (CONT.)

PLATFORMS WILL NEED TO PROACTIVELY ADDRESS KEY AREAS OF INVESTOR FOCUS

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

# INVESTOR AREAS OF FOCUS (CONT.)

PLATFORMS WILL NEED TO PROACTIVELY ADDRESS KEY AREAS OF INVESTOR FOCUS

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

# HEALTHCARE GROUP OVERVIEW

## CORE HEALTHCARE TEAM



**Jon Hammack**

Partner, Group Head  
MedTech



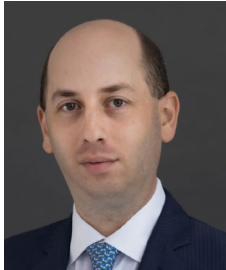
**Karan Garg**

Partner, Head of  
Healthcare Services



**Brad Hildebrand**

Managing Director  
Healthcare Services



**Aryeh Sand**

Managing Director  
Life Sciences



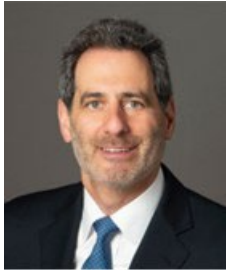
**Eric Bormel**

Director  
Consumer HealthTech



**Marc Cooper**

CEO



**David Shiffman**

Partner, Co-Head of  
Consumer Retail



**Vitalie  
Djugostran**

Vice President



**Mustafa  
Ghafoor**

Vice President



**Cristian  
Karaoglan**

Vice President



**Adam  
Rynerson**

Vice President



**Elliott  
Theuerkauf**

Vice President



**Joseph  
Stein**

Partner  
Financial Advisory



**Sash  
Rentala**

Partner  
Financial Sponsors

## DEDICATED HEALTHCARE SUPPORT TEAM

EJ Salamone  
Max Belousov

Henry Jones  
Jack Samett

Taylor Coleman  
Owen Mansfield

Devonte Middleton  
Brandon Schwartz

Alyssa Lam  
Cooper Steputis

John Struik  
Jake Robbins

# SOLOMON MEDSPA COVERAGE TEAM



### Karan Garg

Partner  
Head of Healthcare Services

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Solomonpartners.com

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  
Healthcare Services

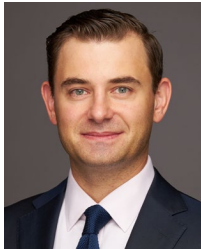
P: 312-324-7457

Brad.Hildebrand@  
Solomonpartners.com

Brad has 15+ years of investment banking and private equity experience

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

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



### Vitalie Djugostran

Vice President  
Healthcare Services

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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**

**Unrivaled 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**  
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  
**USOM** U.S. Oral Surgery  
Management

PPM

**cerberus**  
Majority  
Recapitalization of  
**Lighthouse**  
AUTISM CENTER

Behavioral

**KOHLBERG**  
R 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

**USOM** 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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