

Significant market contraction in demand coupled with margin and pricing pressure through early 2009 will result in ongoing value correction and accelerate category shake-out and consolidation.

INDEX PERFORMANCE

Since Inception (1/1/03) : **+41.5%**

3 Year : **-22.8%**

1 Year : **-28.9%**

6 Month : **-20.5%**

Year-To-Date : **-19.9%**

INDEX COMPONENTS

- 16 public companies
- All companies are primarily focused on the B2B value chain serving the health, wellness ingredients, nutrition and food, beverage and personal care industry
- Index is global in scope, with companies headquartered in locations ranging from Israel, France, Sweden, Spain, USA, Canada and United Kingdom
- Companies range in market value (capitalization) from \$7 Bn to < \$5 Mn USD in valuation

NUTRASCIENCE TEAM

Jennifer Williams, Atlanta

jennifer@tsg-partners.com

(404) 254-1660 : HQ Office

Seth Taylor, PhD/MBA, Boston

seth@tsg-partners.com

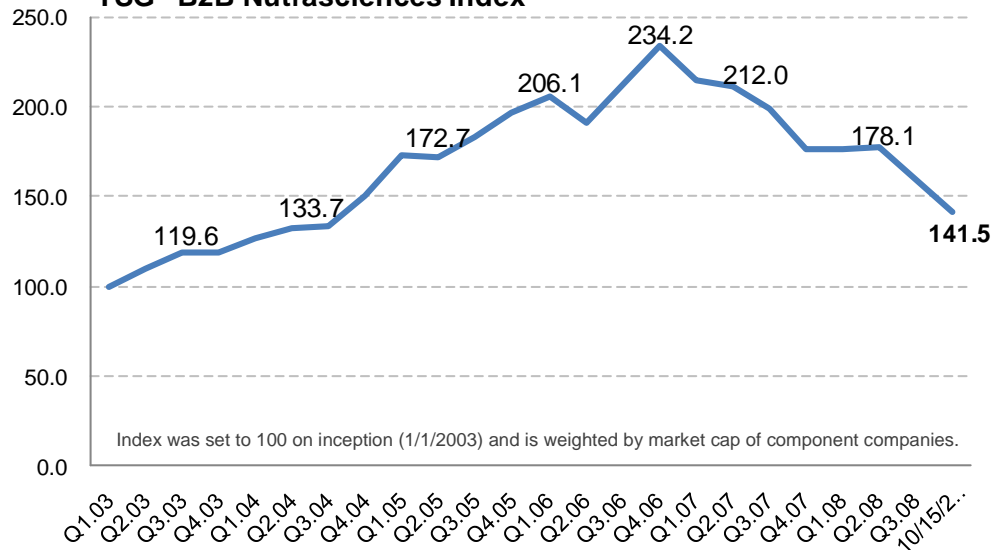
(617) 500-3362 : Office

Panna Sharma, New York

panna@tsg-partners.com

(212) 572-6448 : Office

TSG - B2B Nutrasciences Index



- ➔ TSG expects **near-term contraction in market values to continue** through the first half of 2009 as credit markets take time to recover and investors seek safe havens in countercyclical equities and commodities.
- ➔ Both primary markets, 1) the supplement providers and 2) the food & beverage (F&B) sector, for the B2B ingredient and service **companies have softened or delayed orders as they reassess the impact of the global slowdown** on discretionary consumer items.
- ➔ Trade and **order financing have become significantly difficult to secure** for many of the public and private companies with higher rates and tightening of terms.
- ➔ Core ingredients and services are coming under **pricing pressure by buyers as they seek to maintain costs as a result of revenue growth slowdown**, especially in premium and super premium wellness and functional consumables.
- ➔ The larger F&B companies have **slowed down their rollout and innovative product introductions for 2009 and 2010 for the North American and select Western European markets** as a result of softer consumer demand and the anticipated recession during 2009.
- ➔ The retrenching of the sector is evident in all trade shows and events attended by TSG **with conference volume down from 2007**, including Healthy Foods, Healthy Ingredients, Supply Side West, and Natural Foods Expo.
- ➔ For established companies with strong balance sheets and a clear growth agenda, **TSG views this as an ideal time to explore consolidation and acquisition strategies, since the long-term fundamentals of the sector should recover by mid 2010.**