SKYTALE + GUIDEPOINT QSIGHT PRESENT

Evolution in Aesthetics:
Growth from Innovative Services & Shifting Demographics

A study of the maturing aesthetics industry, analyzing drivers of growth, the role of private equity, and options for entrepreneurs.

GUIDEPOINT QSIGHT | SKYTALE

Table of Contents

INTRODUCTION

Demystifying the Aesthetics Industry

Beyond simple profit and loss numbers, it has been challenging to measure medical aesthetic business performance as an industry. Business owners and investors have operated with limited available data and cogent analysis on performance versus peers, industry trends, and other relevant factors to provide context to individual business performance.

Qsight and Skytale have partnered to share their research, analysis, and experience in medical aesthetics to provide the missing information to owners and investors so they are empowered to make intelligent decisions.

Skytale brings years of expertise and relationships in offering management consulting, investment banking, and private capital solutions, and Qsight specializes in providing data solutions for the medical aesthetics, MedTech, and financial services industries. Together, we are able to provide unique and original insights into medical aesthetics.

Skytale Group

Skytale Group is a leading management consulting and investment banking firm offering strategic and advisory services to healthcare businesses nationwide. Skytale Management Consulting provides services centered on evidence-based strategy to grow healthcare organizations, while Skytale Investment Banking consists of licensed investment bankers who have extensive experience in mergers and acquisitions and private capital advisory capabilities within healthcare, as evidenced by having completed over 10 medical aesthetics M&A transactions in the 18 months ending in April 2024. Skytale also offers private capital funding through our service line, Skytale Capital. We are committed to helping growth-minded businesses in the healthcare industry by equipping them with the advice, information, and perspective needed to achieve lasting value. Founded in 2018 and headquartered in Dallas, Texas, Skytale Group has a national presence providing guidance and perspective to clients across multiple healthcare specialties. At Skytale, we appreciate what our clients are building, and we are dedicated to becoming a trusted partner by delivering tailored solutions designed to bring value to your vision.

Our team of financial professionals and C-level executives have decades of hands-on industry experience and are equipped to take your business to the next level. Using the intersection of business intelligence and your personal goals, our team can help guide your business to meet your ambitions.

Guidepoint Qsight

Guidepoint Qsight is the premier provider of data, insights, and analytics for stakeholders in the medical aesthetics and MedTech industries, including leading institutional investors, manufacturers, and service providers. Founded as Quanton Data and acquired by Guidepoint in 2016, Qsight's offerings provide insights into usage, purchasing patterns, and consumer behavior in some of the most dynamic markets in these industries.

Backed by Qsight's team of data scientists, data engineers, and industry experts, our solutions are trusted by some of the largest corporations in medical aesthetics, MedTech, and financial services. For the medical aesthetics industry, our proprietary data assets enable unparalleled insights into a range of topics including transaction-level patient purchasing behaviors, expert aesthetics opinions collected from hundreds of practitioners across the world, and full market sizing of the entire U.S. aesthetics industry.

Qsight is a division of Guidepoint, a global expert network that connects clients with industry professionals, subject matter experts, and thought leaders across various sectors and disciplines. Guidepoint's expansive network, consisting of over one million experts worldwide, provides strategic guidance and decision-making support to clients in order to drive business success.

Data Sources/Solutions

This whitepaper is supported by the following Skytale + Qsight resources:

Pitchbook: PitchBook provides capital market data and intelligence solutions that help understand current market conditions and transaction details.

Skytale Internal Practice Data: Skytale has gathered a significant amount of internal aesthetic data over the last 5 years that it has consolidated to analyze to provide industry benchmarks and trends.

Qsight Market View: Comprehensive data intelligence solution offering real-time, macro-level market projections, trends, and insights for the aesthetics industry, aiding strategic business and investment decisions.

Qsight Sales Measurement: Proprietary database offering real-time tracking of patient spending at aesthetics practices and med spas, enabling insights into market trends, brand performance, and consumer behavior.

Qsight Practitioner Tracker: Proprietary, survey-based solution offering in-depth insights into the behaviors and opinions of aesthetics practitioners across 10 countries, revealing patient and practitioner sentiment, market drivers, opportunities and risks, and competitive trends.

Qsight Prospector: Extensive database of U.S. aesthetic practices, providing detailed information on locations, contacts, and services, enabling targeted sales strategies and competitive market analysis.

Qsight data has become a critical resource for our organization. It has directly impacted how we measure our impact in the market and has provided us with critical insights that have influenced our go-to-market strategies.

— Business Analytics Manager, Biotechnology Company

GUIDEPOINT
QSIGHT

INTRODUCTION

Executive Summary

The medical aesthetics industry has been growing and evolving, but with understanding limited to the performance of individual businesses. As we analyzed industry-level trends, we discovered several intriguing findings. We have also shared our appreciation of opportunities and risks for both business owners and institutional capital based upon years of working with them to navigate market cycles within the healthcare industry.

To begin with, we note that the U.S. aesthetics industry continues to expand, with non-surgical patient spend reaching $15.0 billion in 2023, **up 4%** from the prior year.

At the same time, competition is also increasing. **Medical spas, the largest category of practice, grew in number by approximately 17% over 2023**. Individual med spa performance was mixed amid the competition, though tilted to positive, with 57% of those operating in 2022 achieving higher revenues in 2023.

Non-surgical aesthetics continued to outpace surgical procedures, with patients spending around $11 billion on surgery in 2023. Growth in non-surgical treatments remains robust, with neurotoxin expenditures reaching $2.5 billion in the first half of 2024, marking a 12% increase compared to the same period in 2023. Additionally, the weight loss & dietary lifestyle segment saw remarkable growth, largely driven by surging demand for semaglutide, which pushed total category spending to $1.2 billion in 2023 — an incredible 236% increase from the previous year. Meanwhile, professional grade skincare purchases also continue to rise steadily.

In addition, the consumer base has been expanding as med spa treatments are generally more socially acceptable. Patients are starting earlier in life, and more men are receiving treatment. We estimate a shift from 95% women to about 90%. Also, less affluent consumers are receiving treatments, as more services are offered at lower price points based upon internal Skytale data gathered on aesthetic practices around the country.

Such notable growth has attracted the interest of private equity groups, while some practice owners are acutely aware of the interest and partnering with a capital backer is now a goal of the business. Yet determining an appropriate value of a medical aesthetics business can be challenging, partly due to a dearth of commonly accepted benchmarks for measuring performance.

Private equity firms have invested in several businesses so far, creating sizeable platforms for further growth via acquisition or de novos, but the number of platforms is still relatively small. Over time, these platforms will enable PE investors to better understand best practices, and create additional value for the next buyer to benefit from.

With notable growth, however, comes notable risks, including the likelihood that regulatory oversight will increase. Currently, the industry is regulated at the state level, leading to a loose patchwork of regulations varying by state and requiring specialized knowledge for businesses operating in multiple jurisdictions. Industry consolidation is leading to larger companies operating across state lines, while media attention is also likely to grow and is likely to bring attention to any major mistake by a practitioner, which would accelerate an increase in oversight. It is yet unclear what form greater oversight would take.

There are also interesting opportunities and advantages in the industry, in addition to the general growth trend. For one, while private equity firms typically have a minimum equity check they are looking to enter with, some firms have lowered their minimum to invest so they can begin to acquire and build practices due to the lack of scaled practices in the industry.

Perhaps the biggest advantage of medical aesthetics versus other medical practices is the absence of insurance reimbursement as a payment intermediary. Taking payment directly from the consumer and essentially in “cash” means payment is immediate and there is no risk that reimbursement will be delayed or negotiated down.

Finally, as with other growing industries, innovation is contributing to growth, and in this case also improving the med spa experience. Treatments have become more convenient, less painful, and may require less time for recovery.

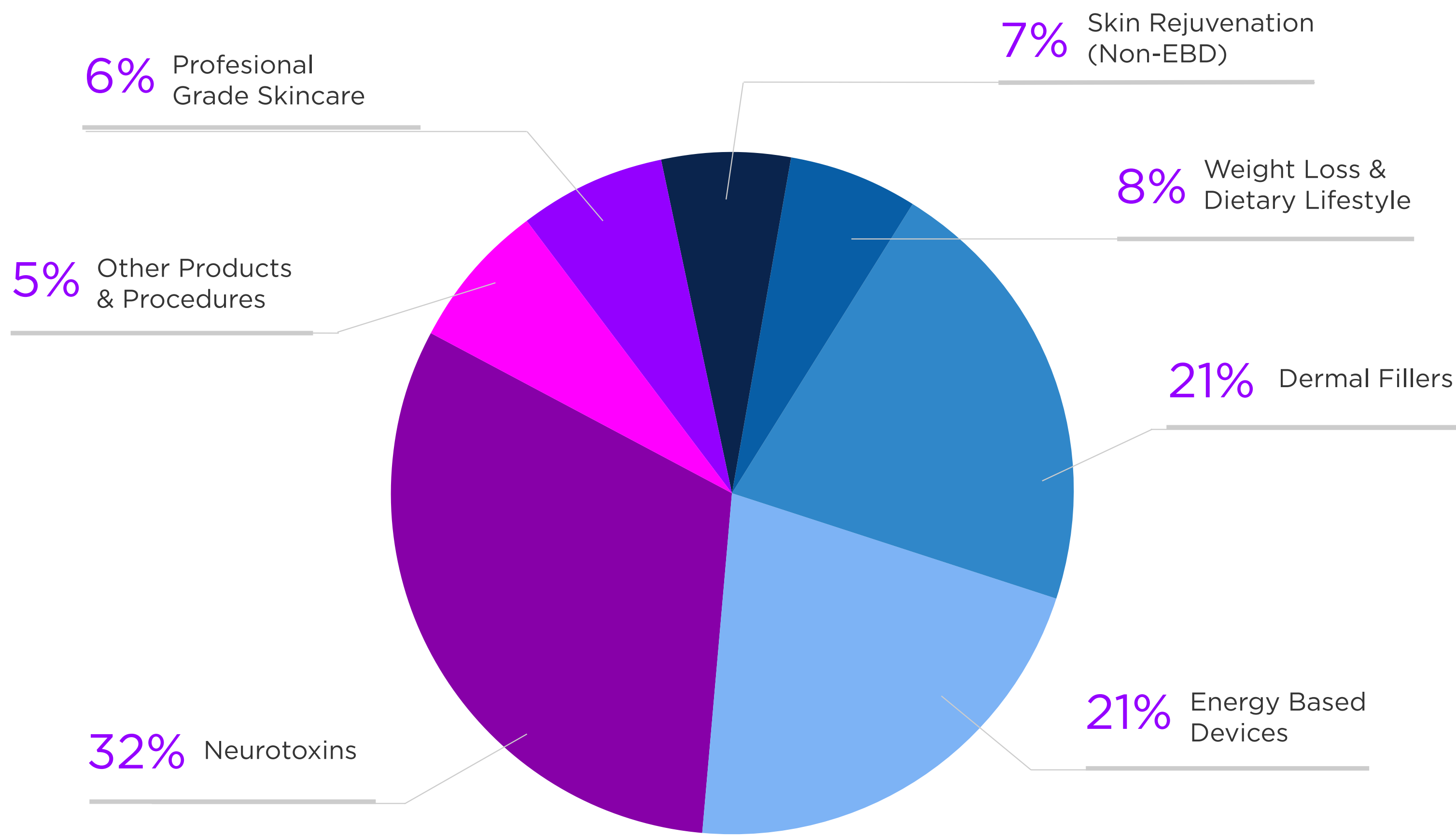
STATE OF THE OVERALL AESTHETICS INDUSTRY

Overall Industy Growth

The U.S. aesthetics industry continued to grow in 2023, with total non-surgical patient spend reaching $15 billion, a 4% increase over 2022, and surpassing the $11 billion spent on surgical procedures. Despite a challenging economic environment, practitioners reported successfully boosting sales through strategic marketing efforts, indicating that business growth opportunities continue to exist. [1]

While the COVID-pandemic led to dramatic declines in certain industries, such as travel and leisure, medical spas generally experienced significant revenue growth exiting the pandemic. As people saw themselves while in virtual meetings, they became more aware of features they wished to address. For example, plastic surgery practices boomed in 2022, though business growth has since returned to the mean.

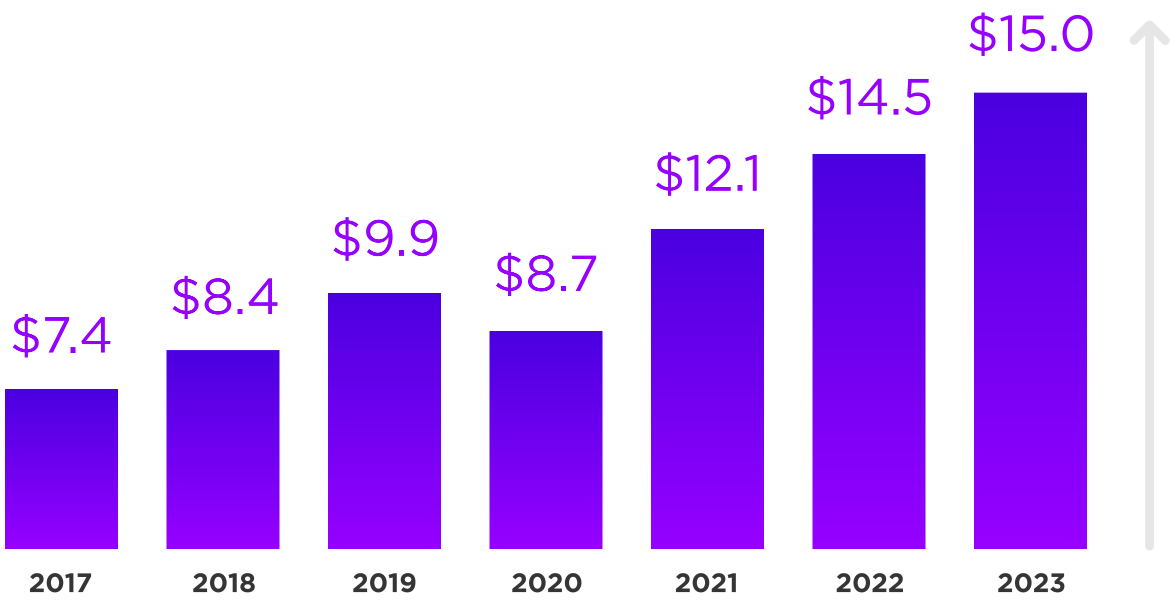
U.S. Aesthetics Sales Share by Segment (2023)



Qsight Market View

Total U.S. Aesthestics Spend

2017 - 2023 (Excludes Surgery) — in Billions



Qsight Market View

While for most segments (e.g., neurotoxins), shares were relatively stable, notable shifts occurred in weight loss & dietary lifestyle, which increased five percentage points in aesthetics dollar share, driven by the recent surge in semaglutide prescriptions. Conversely, dermal fillers saw a 3 point decrease in share.

Market momentum has continued into 2024, with combined non-surgical revenues for Q1 + Q2 9% higher than in 2023. While the recent surge in weight loss drugs was a key driver, spending on more established segments such as neurotoxins were also substantially higher. We have also already witnessed in 2024 a rebound in sales for segments that faced challenges in 2023, such as dermal fillers.

Individual business growth eased in 2023 as more med spas opened and consumer spending tightened somewhat. Higher interest rates and related expectations of a possible economic slowdown contributed to a generally softer year. When surveyed, 56% of practitioners who reported decreased sales cited challenging economic factors as a reason.[2]

We forecast consumer demand will continue increasing as the traditional consumer demographic expands. People are beginning treatments sooner in life and more men are receiving services as it has become more socially acceptable.

STATE OF THE OVERALL AESTHETICS INDUSTRY

Key Aesthetics Highlights

Skilled Workers

In practice, consumer awareness and demand for services continues to expand, but the industry has not seen a parallel increase in skilled staff to administer specialized services. This creates some risk for investors, but also opportunities for business owners to train their personnel to meet demand and expand their operations. Training facilities have become a significant focus of investors because of the consistent pipeline of providers, and when such owners elect to sell their business or an interest in it, they may enjoy premium valuations owing in part to a skilled pipeline of providers.

Meanwhile, more and more physicians are drawn to medical spas simply to avoid dealing with medical insurance in traditional health care practice. Insurance reimbursements are not as enticing as they were in previous years, not to mention the hassle of the reimbursement process. Med spas are cash businesses with immediate revenue from services.

Valuations

Estimating the value of a medical aesthetics business can be challenging, partially because of a dearth of commonly accepted benchmarks. In addition, because there are only a handful of platforms and a limited number of recapitalizations have occurred, it is unknown at what level valuations will plateau.

Private equity firms have invested in a number of businesses so far, creating platforms for future growth via further mergers and acquisitions (M&A) or de novos.

Over the next 2 to 3 years a majority of these platforms will begin entering their hold periods and start to benchmark what middle-market valuations might look like for the recapitalization of the platform.

We are approaching the next phase of the industry in understanding what returns look like in the platforms who have created a strong, integrated business and have raised the level of standards of a medical spa business.

Active Consolidation

We expect to see industry consolidation of 15% to 20% [3] over the next 5 years. We expect substantial M&A activity in 2024 with Skytale already having a robust deal pipeline.

Current platforms include:

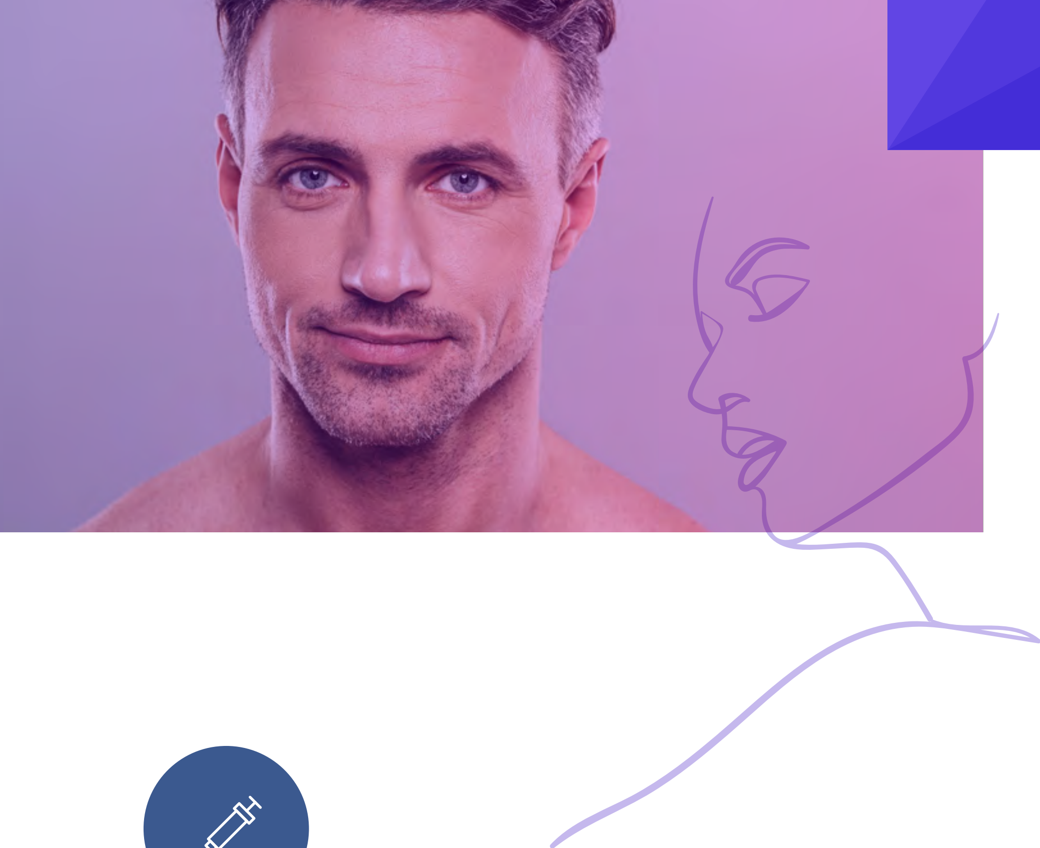
- Advanced MedAesthetic Partners
- Aesthetic Partners
- Alpha Aesthetics
- Ascend Plastic Surgery Partners
- Athēnix Advanced Plastic Surgery & Aesthetic Centers
- Cosmetic Physician Partners
- Cosmetic Skin & Laser Center
- Empower Aesthetics
- Formula Wellness
- Med Spa Partners
- Princeton Med Spa
- SkinSpirit
- United Aesthetic Alliance
- VIO Med Spa

We fully expect private equity groups to create more platforms via investment, and in turn sell to middle market PE funds. We are in early days of platforms. This will add additional sophistication to the space and may invite more regulatory oversight.

In addition, med spa owners who are entrepreneurs will likely become more sophisticated and build out larger multi-site groups that work to mirror the platforms and therefore receive a premium in valuation. We saw a similar trend in the dental industry where owners understood that if they built a multi-site platform that had a strong management team and systems, it would trade at a certain multiple. That education is now coming to the med spa space and creating added incentive for entrepreneurs to build a strong business that has the longevity private equity groups are looking for.

Competition

Competition should continue to rise, with current providers wanting to open their own med spas. This trend is not limited to physicians. Nurses often can earn more in medical aesthetics than traditional healthcare, and as they become skilled some are electing to launch their own med spa or join and gain an equity position in a growing organization.



STATE OF THE AESTHETICS INDUSTRY

By Segment

Neurotoxins

Total U.S. neurotoxin patient spend across Q1 + Q2 2024 was $2.5 billion, a 12% increase over Q1 + Q2 2023, which was a weaker half-year for many aesthetics industry segments.[4]

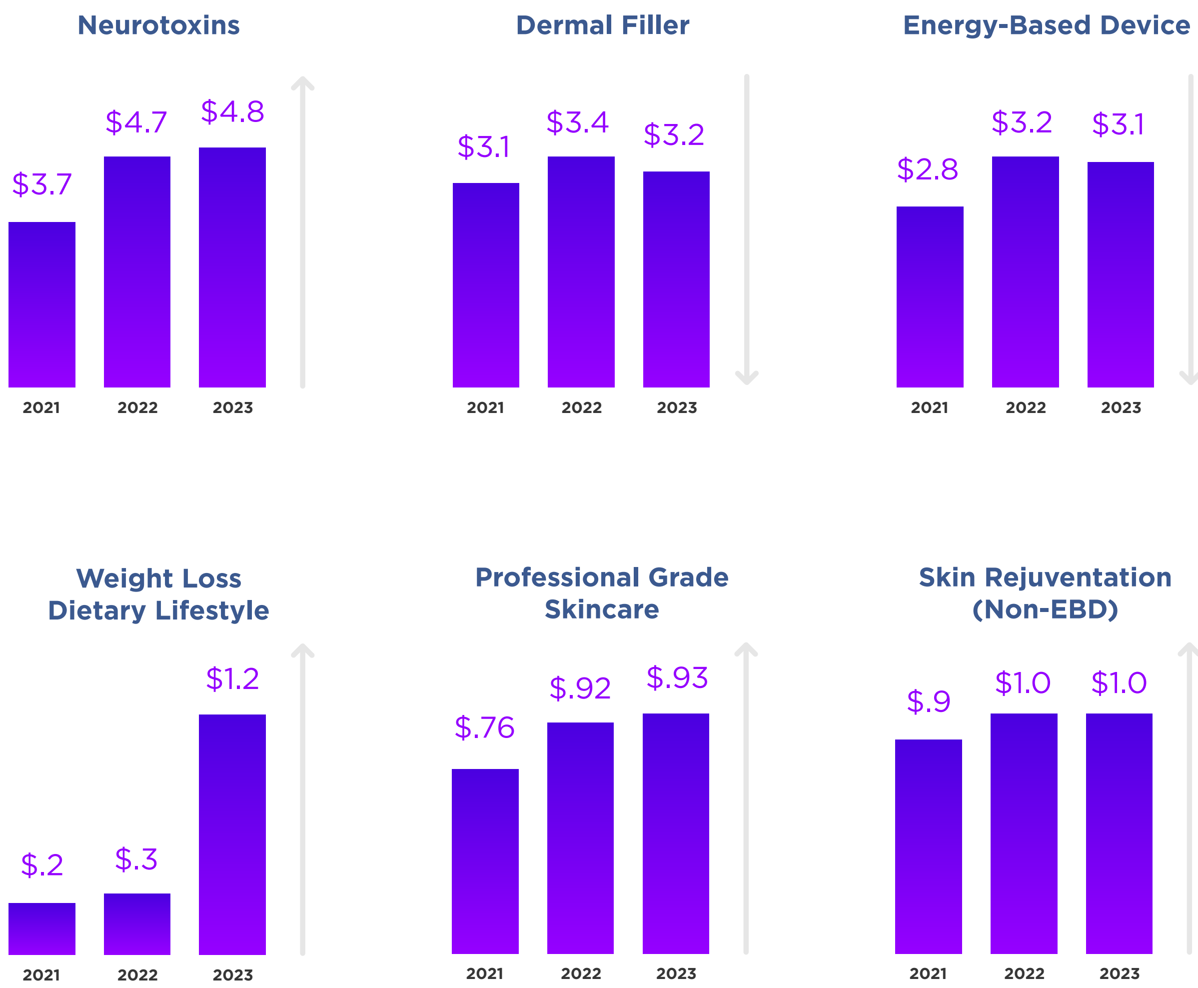
Total neurotoxins patient spend in the U.S. **reached $4.8 billion in 2023, an increase of 3% over 2022**. This was slightly below the industry-wide growth rate of 4% (excludes surgery). Neurotoxins remained the dominant force in non-surgical aesthetics, capturing a 32% share of total non-surgical patient spend, the largest of any segment. While Botox maintained market leadership, its share fell by five points, with Dysport and Daxxify each gaining over two share points.[5]

Launched in 2022, Daxxify is notable for being the first major threat to Botox in several years, with its reported longer duration of effect a highly anticipated differentiator. As of Q4 2023, Daxxify commands a 3% share of monthly neurotoxin spend.

This contrasts with relatively high practice adoption rates; 35% of Qsight Practitioner Tracker neurotoxin practitioner respondents reported current or past usage of Daxxify. The industry standard for neurotoxin injection intervals sees patients most commonly waiting 91 days (13 weeks) between visits.[6]

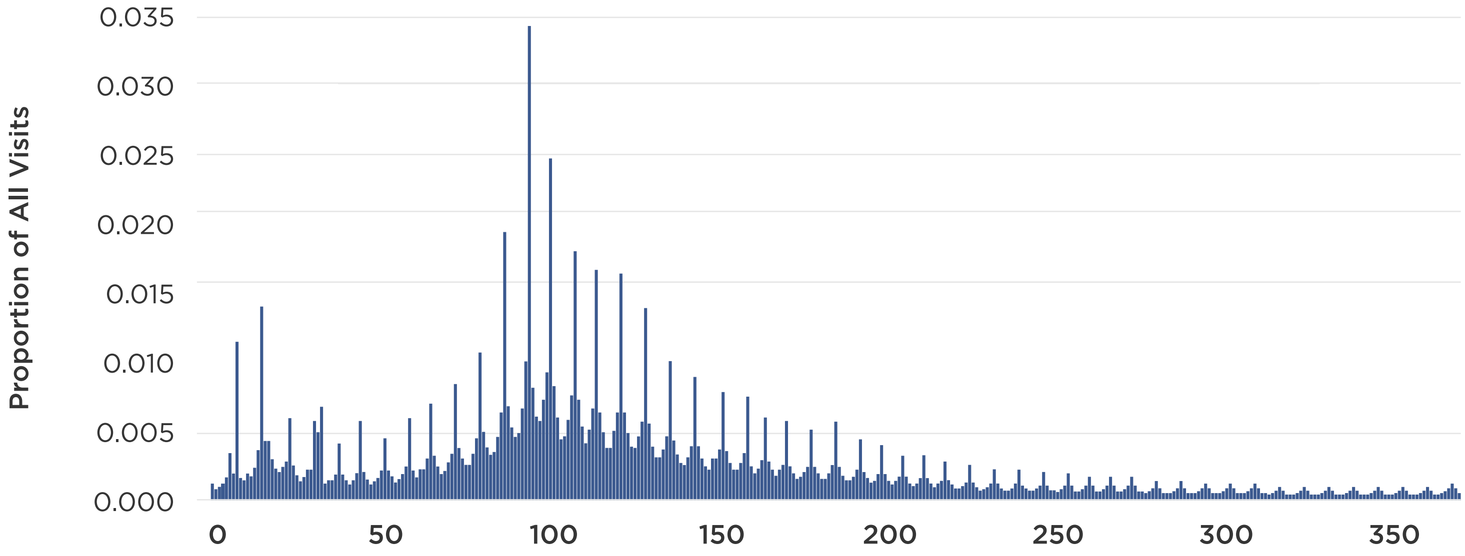
Total U.S. Sales by Segment

in Billions



Distribution of Wait Times Between Visits: Botox

in Days



Qsight Sales Measurement

While Daxxify is anticipated to offer double the duration, practitioners feel they are yet to see its benefits at scale,[7] and we expect 2024 to be an important year for neurotoxins as the Botox challenger is given time to prove itself in the market.

Dermal Fillers

Dermal fillers accounted for 21% of non-surgical patient spend at practices in 2023 and was the second largest non-surgical segment by spend.[8] More so than other aesthetics segments, dermal fillers struggled in 2023, with spend shrinking 7% from 2022 to $3.2 billion. The decline was primarily seen in hyaluronic acid injections, which comprised 81% of dermal filler spend in 2023. Biostimulatory injectables spend on the other hand, grew by 11%, capturing a 19% share of dermal fillers spend, up from 16% in 2022.

In the first half of 2024, dermal filler procedures generated **$1.6 billion in revenue**, marking a 2% increase compared to the same period in 2023. This growth, however, was below the overall increase in non-surgical aesthetics spending, which saw a 9% rise during the same timeframe

Notably in 2023, for the first time, over 40% of all hyaluronic acid filler patients were millennials or younger, highlighting an evolving customer base that practices should be prepared to adapt to and serve in the coming years.[9] Dermal filler visits also continue to be the most likely to feature combination treatments with other segments. In 2023, nearly 60% of dermal filler patient visits also included another treatment or service, compared with neurotoxins and energy-based device procedures, where the incidence is less than 30%.[10] Practices may find dermal filler visits an excellent opportunity to bring in patients and upgrade them to other treatments, services, or products.

Energy-Based Devices

Patient spend on energy-based device (EBD) procedures in 2023 was $3.1 billion, a **4% decrease from 2022**.[11] While dermal fillers maintained a narrow lead over EBD in total market spend, the two segments approached near parity for the first time since 2018. If this trend persists, EBD may surpass dermal fillers as the second-largest non-surgical aesthetics segment by spend in 2024.

Skin rejuvenation & resurfacing maintained its spot as the top-selling EBD sub-segment by total spend share, climbing seven percentage points to capture 58% of total EBD spend in 2023. This growth was fueled by the success of InMode and Sciton devices, namely Morpheus8, BBL HERO, HALO, and MOXI, which led the market in terms of spend share.[12]

During the first half of 2024, EBD procedures generated **$1.5 billion in revenue**, which was 7% lower than the first half of 2023. This was in contrast with most other aesthetics segments, which saw growth across the two periods.

The EBD market remains fiercely competitive, with a constant influx of new devices each year. To thrive in this dynamic landscape, successful companies must innovate continuously and partner closely with practitioners to effectively introduce new offerings to the market, while ensuring positive outcomes. Noteworthy brands in 2023 include BTL's EMSCULPT, which achieved the highest market share growth within non-surgical body contouring, and Morpheus8 by InMode, which maintained its market leadership in the skin rejuvenation & resurfacing category.[13]

Professional Grade Skincare

In 2023, aesthetics practices continued to be a destination for customers looking for professional grade skincare products. Total U.S. sales of professional grade skincare products at aesthetics practices in 2023 was **$930 million** and grew by 1 percentage point over 2022.[14] Professional grade skincare sales accounted for 6% of total non-surgical aesthetics dollar spend in 2023.

Performance for professional grade skincare in the first half of 2024 has been positive, with **total sales reaching $500 million**, a 9% increase over the same period in 2023. This has been despite more stable sales in Q1 and Q2 2023 compared to the likes of neurotoxins and dermal fillers, which saw weaker sales during those quarters when compared to 2022.

In a little over half of all visits where professional grade skincare products were purchased in 2023, customers did not receive a concurrent aesthetics procedure or service. As such, aesthetics practices and med spas continue to be a popular destination for skincare purchases. A driving force is that consumers often seek the advice of aesthetics professionals to inform their skincare purchasing decisions. In cases where skincare was purchased with a treatment or procedure, energy-based device procedures were most highly associated, with 15% of all energy-based device procedure visits featuring the purchase of a skincare product.[15]

Weight Loss & Dietary Lifestyle

2023 was a major year for weight loss & dietary lifestyle, with spending reaching unprecedented levels, largely driven by the ongoing surge in demand for semaglutides, a highly effective weight loss drug produced by Novo Nordisk (sold under brand names Ozempic and Wegovy). In 2023, total spending on the segment reached **$1.2 billion, an astounding 236% increase over 2022**.[16]

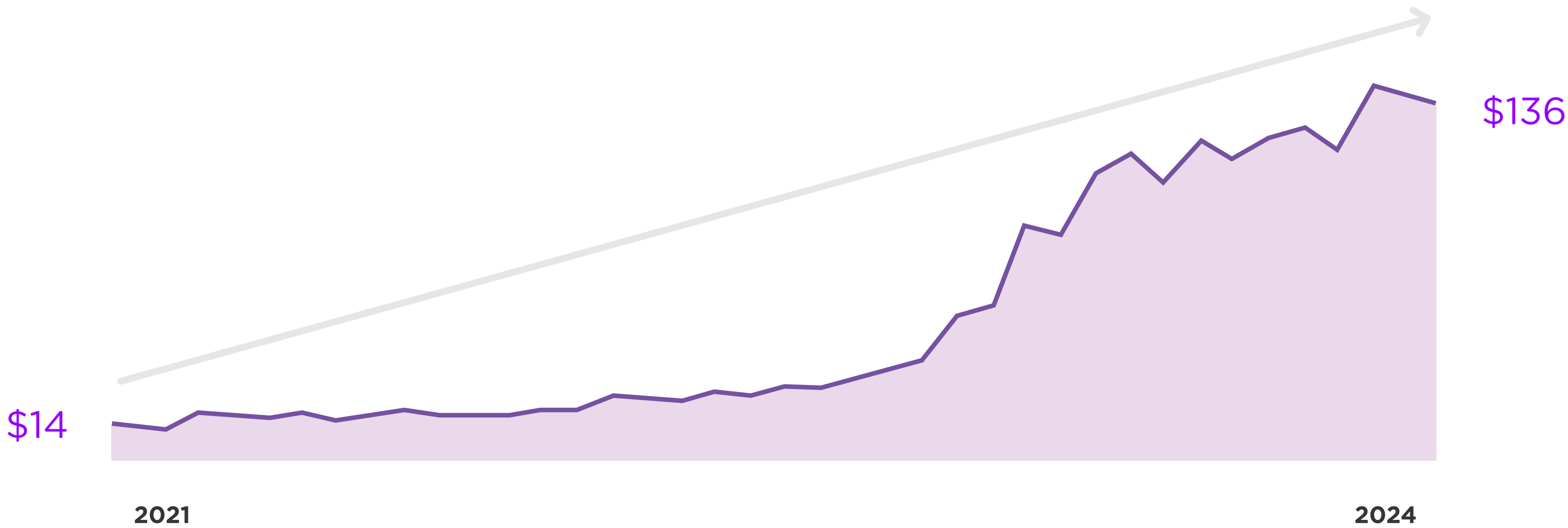
With 2024 well under way, growth in this segment shows no sign of stopping, with total spend reaching $880 million across Q1 & Q2, a **85% increase** over the same period in 2023.

The semaglutides surge has had a major impact on the state of business at aesthetics practices, with prescription visits now accounting for around 10% of all visits at practices offering these drugs. Semaglutides are also expected to have flow-on effects for other aesthetics segments, as patients taking these drugs may find the need to utilize dermal fillers to compensate for rapidly lost facial and body volume.[17] Aesthetics industry experts also suggest that weight loss treatment may help patients overcome initial barriers in self-perception and serve as a gateway to other treatments.[18]

Early analysis of transaction data suggests that semaglutides may reduce patient spend on other categories.[19] However, patient spend has also increased overall due to semaglutides, and it remains to be seen what the drugs' effects will be on patient spending behaviors in the longer term. With prescription volume growth showing little sign of slowing down in Q1 2024, it is hard to predict what the eventual state of business will look like at practices in the post-weight loss revolution landscape.

Total U.S. Monthly Spend
Weight Loss & Dietary Lifestyle

in Millions



Qsight Market View

Consumers are focusing more on overarching wellness goals, rather than specific services, and medical spas are responding with greater sophistication and a more holistic approach to services. This holistic approach means clients are more likely to receive multiple services in a single visit, and certainly multiple services over their consumer lifecycle, as they take a broader view of their wellness over time.

Semaglutide drugs have become popular with providers, and they are applying more critical thinking and education regarding when and how the drugs should be used. Med spas generally are offering more emphasis on nutrition, particularly for patients taking semaglutide treatment to ensure clients are both consuming proper nutrients and not counteracting the desired effects of the treatment.

UNDERSTANDING THE MEDICAL SPA LANDSCAPE

Key Takeaways

New aesthetics practices continue to open across the U.S., with the number of medical spas growing especially rapidly.

Practices on average were able to grow their revenue from 2022 to 2023, indicating continued demand growth and opportunities in the aesthetics market.

Key differences arise in per-practice revenue growth, patient retention, and segment-wise spend share when comparing practices between regions, types, and sizes.

Differences also arise in key indicators of purchasing behavior when comparing patients between age groups and genders.

UNDERSTANDING THE MEDICAL SPA LANDSCAPE

Characteristics of an Attractive Medical Spa from an Investor's Lens

Private equity groups are not just looking at profit and loss figures when they consider a business partnership or acquisition. Investors have come to appreciate certain characteristics of well-organized and growing businesses, while also becoming less willing to consider businesses without those characteristics or without demonstrably loyal customers.

To begin with, investors typically consider diverse businesses with multiple providers, mitigating the risk that the departure of one provider would cause an irreparable loss of revenue. Investors also appreciate businesses with the ability to showcase providers ramping up production that leads to scaling through expansion of the current facility or additional locations.

Businesses should also have strong cash flow, ideally annual EBITDA greater than $1 million, that allows for some reinvestment into the business with the existing profitability. In addition, private equity groups look for compelling margins, ideally gross profit greater than 70% (not including direct labor costs) and EBITDA greater than 20%.

Med spas are often considered recession resistant because of their potential for consistent profit margins of 20% to 30%, providing insulation from a decline in economic growth and related dip in consumer demand. We say “dip” and not “drop” because studies have shown patients would prioritize treatments before household expenses if they have already begun treatment.

Growth, of course, is critical for private equity investors. Growth potential can be from the expansion of existing locations or adding locations, as long as there is a proven ability to scale and professionalize the business with a repeatable model. Patients should be drawn to a brand and not a specific provider, which both facilitates growth and mitigates risk of provider departure.

Investors also prefer businesses offering a full range of offerings with ample patient demand, while also seeking businesses that smoothly incorporate new technologies and innovations to provide the best patient experience. These days a typical mix of services might be 60% injectables, with the rest a mix of energy based devices, professional grade skincare products, weight loss and dietary lifestyle, and other products and procedures.

Patient retention should be high — greater than 70% is most attractive — since higher retention facilitates revenue sustainability and has a compounding effect on patient visits and therefore profit. A lifetime client can be invaluable. Consider a patient who returns four times a year, spends $100 to $500 per visit, and stays for more than three years: The acquisition cost of that patient becomes marginal to the revenue, and more so over time.

Providers are becoming harder to replace, and so investors look for businesses that give providers ample reason to stay. Some practices have begun offering equity to key providers to ensure the practice continues to thrive while giving them some upside outside of their normal compensation.

In addition, there should be a clear management structure and process for onboarding providers, particularly for newer practices. Investors are looking at systems, as much as people, and an understanding of enterprise level reporting will provide a premium value on a business.

On a related note, with proper training, owners can better ensure a consistent provider pipeline that represents their brand as desired and provides consistent patient service. To be sure, some owners may view such training as arming the competition, since a provider may train workers in other med spas or a provider might leave after being trained, but evidence suggests the benefits outweigh such risks.

Finally, investors also look for practices able to charge premium pricing and tend to be wary of practices offering discounts. Discounted pricing draws deal shopping consumers who are unlikely to be repeat customers.

UNDERSTANDING THE MEDICAL SPA LANDSCAPE

Practice-Level Performance Indicators

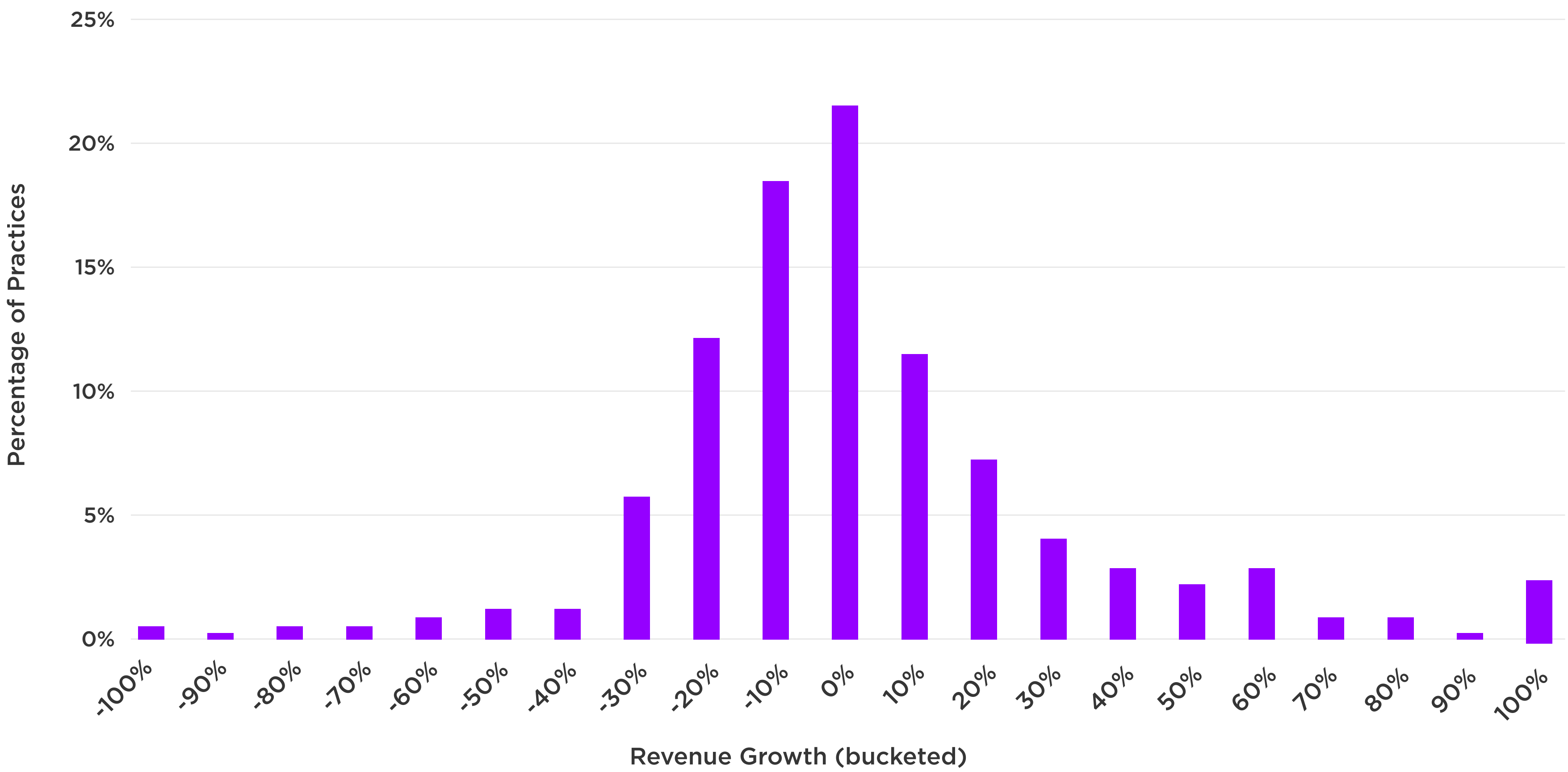
Med spas continued to be a driver of rapid practice growth in the U.S, with Qsight data indicating an approximate 17% increase in the number of operational med spas in 2023.[20] Among med spas, while per-practice revenue growth was varied, 57% of med spas operating in 2022 achieved higher revenues in 2023,[21] notable considering the increase in competition and indicating business growth for the med spa industry overall.

The strong, sustained establishment of new med spas across the U.S., in combination with overall growth for existing med spas, indicates a perception that there are still ongoing opportunities for growth and an abundance of demand in the aesthetics market.

In the following sections we explore key practice performance measures under a selection of different segmentations.[22]

17% increase in the number of medical spas in 2023

Distribution of Per-Practice Revenue Growths for Medical Spas from 2022 to 2023



Qsight Sales Measurement

Regional Analysis

Regional differences in key aesthetics practice business performance measures may hint at unique cultural, economic, and demographic differences and attitudes towards aesthetics.

At a regional level in 2023, med spas and plastic surgery practices in the Midwest and West achieved the highest average growth in non-surgical aesthetics revenue per practice. There is a slight spread in patient spend, with practices in the Northeast and West having higher annual spend per patient. Conversely, patient retention was the highest in the Midwest, with a little more than half of all patients from 2022 on average returning for services in 2023, compared to other regions where retention was slightly lower.

Across all regions, the dominant aesthetics segments are neurotoxins, energy-based devices, and dermal fillers, though dermal fillers tend to out-sell energy-based device procedures in the Northeast and South. Notably, weight loss & dietary lifestyle occupies its largest share in the South, nearly doubling all other regions by share of spend.

Practice Performance Indicator by Region

Measure (excludes surgical procedures)		**Midwest**	**Northeast**	**South**	**West**
Avg % Growth in Per-Practice Revenue (2023 vs 2022)		↑ +24%	↑ +6%	↑ +17%	↑ +23%
Avg Spend Per Patient	**2023**	**$1,347**	**$1,502**	**$1,347**	**$1,496**
	% Change vs 2022	↑ +2%	↓ -1%	↑ +2%	+0%
Avg Patient Retention % [4]	**2023**	**52%**	**50%**	**48%**	**47%**
	% Change vs 2022	↓ -1%	↓ -1%	+0%	+0%

Qsight Sales Measurement

Top Aesthetics Segments by Share of Regional Spend (Excludes Surgery)

Segment	Midwest	Northeast	South	West
Neurotoxins	33%	33%	31%	29%
Energy-Based Devices	22%	19%	17%	22%
Dermal Fillers	19%	21%	20%	21%
Weight Loss & Dietary Lifestyle	6%	4%	11%	5%

Qsight Sales Measurement

Weight Loss & Dietary Lifestyle accounted for 11% of 2023 non-surgical spend in the South

Practice Type Analysis

In 2023, plastic surgery clinics continued to out-perform medical spas on a revenue per practice basis. However, given the current number of med spas vs. plastic surgery clinics, along with the strong growth in new med spas each year, med spas are becoming responsible for an increasingly larger share of overall aesthetics revenue in the U.S. Further, spend on a per-patient basis in 2023 grew slightly more among med spas than plastic surgery practices. Overall, patient retention was similar between the two practice types.

Performance Indicators by Practice Type

Measure (excludes surgical procedures)		Medical Spa	Plastic Surgery
Avg % Growth in Per-Practice Revenue (2023 vs 2022)		↑ +22%	↑ +16%
Avg Spend Per Patient	**2023**	**$1,386**	**$1,432**
	% Change vs 2022	↑ +1%	+0%
Avg Patient Retention %	**2023**	**49%**	**48%**
	% Change vs 2022	+0%	+0%

Qsight Sales Measurement

When comparing share of total spend by segment, no major differences were found between the two practice types among the major segments.

Practice Size Analysis

For the below analysis, aesthetics practices were divided into four groups based on average monthly revenue. Smaller practices tended to see higher revenue growth on average in 2023, an observation consistent with the perception that there is an abundance of market opportunities for new practices.

Performance Indicators by Practice Size

Measure (excludes surgical procedures)		**Small** <$155k/mth	**Medium** $155k-289k/mth	**Large** $290k-500k/mth	**X-Large** >$500k/mth
Avg Spend Per Patient	**2023**	**$1,198**	**$1,449**	**$1,519**	**$1,674**
	% Change vs 2022	↑ +5%	↑ +3%	↑ +2%	↓ -5%
Avg Patient Retention %	**2023**	**47%**	**51%**	**50%**	**49%**
	% Change vs 2022	↓ -1%	+0%	+0%	↓ -1%

Qsight Sales Measurement

Neurotoxins, energy-based devices, and dermal fillers dominate spend across all four practice sizes; however, weight loss & dietary lifestyle takes up a noticeably larger proportion of spend among smaller practice sizes, possibly indicative that smaller practices have been quicker to adjust to market demand during the semaglutides surge.

Top aesthetics segments by share of spend by practice size (excludes surgery), plus weight loss & dietary lifestyle

Segment	**Small** <$155k/mth	**Medium** $155k-289k/mth	**Large** $290k-500k/mth	**X-Large** >$500k/mth
Neurotoxins	29%	32%	32%	31%
Energy-Based Devices	18%	20%	21%	20%
Dermal Fillers	18%	20%	24%	20%
Weight Loss & Dietary Lifestyle	13%	6%	4%	5%

Qsight Sales Measurement

UNDERSTANDING THE MEDICAL SPA LANDSCAPE

Patient Trends

In the following section we utilize Qsight Sales Measurement data to compare patient demographic groups across a selection of metrics associated with non-surgical aesthetics purchasing behaviors.

Demographic Analysis by Age Group

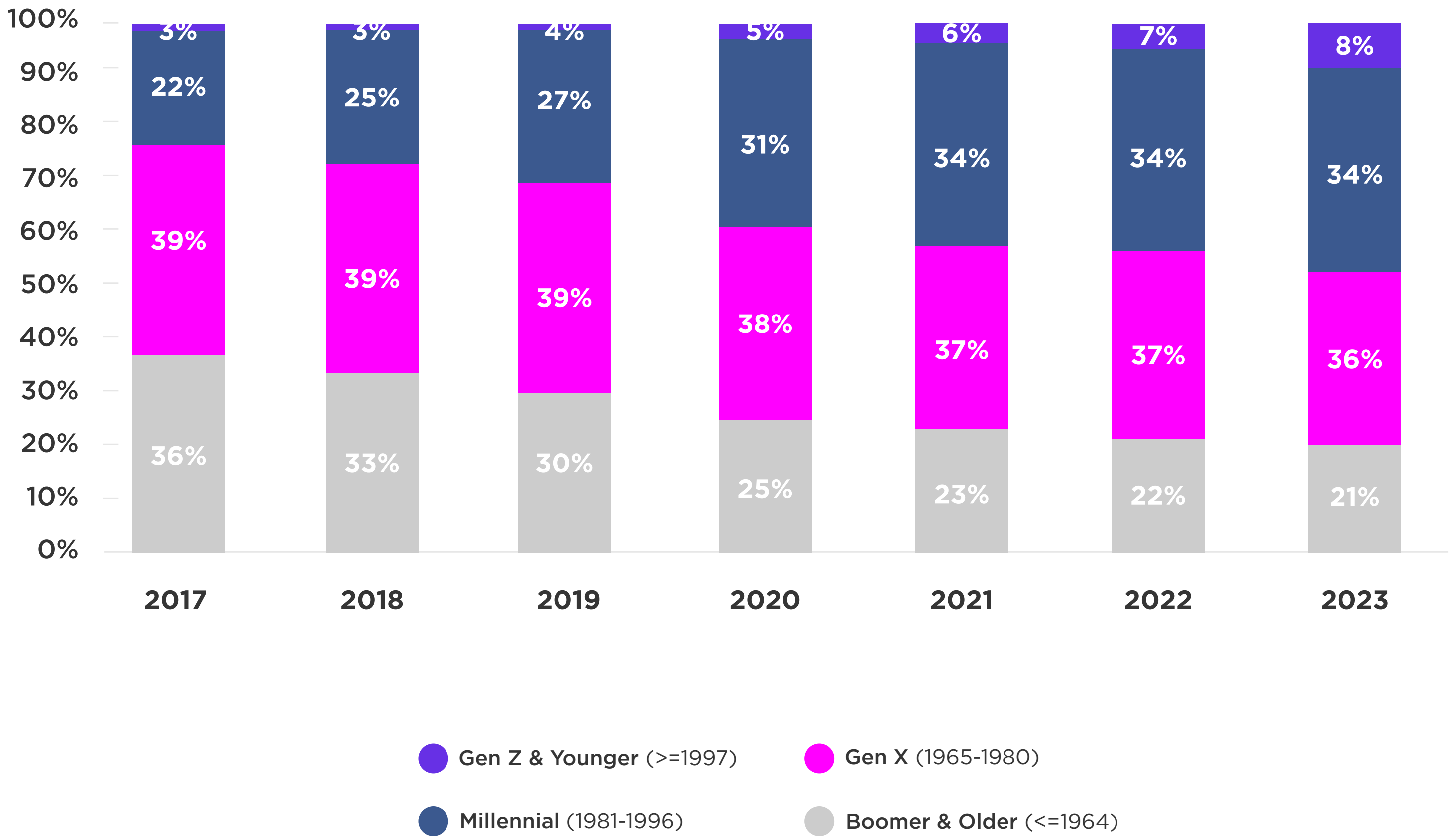
For this section, patients were broken down into 4 age groups:

- **Gen Z & Younger:** Born during or after 1997
- **Millennials:** Born between 1981 to 1996
- **Gen X:** Born between 1965 to 1980
- **Boomer & Older:** Born during or before 1964

As older generations age out of the aesthetics customer base, practices will see younger generations gradually occupy a larger portion of their customer base. In 2023, approximately 42% of all aesthetics patients were millennials or younger.

Since 2020, millennials have overtaken boomers in share of total patients, and comprise 34% of all aesthetics patients, almost equal to Gen X.

Demographic Composition of Aesthetics Patients Over Time



Qsight Sales Measurement

Due to rounding, percentages may not add up to 100%.

42% of all aesthestics patients were millennials or younger in 2023

When looking at spending behaviors by generation, older generation patients tend to both spend more per visit and visit more times throughout the year. They also tend to have a higher rate of retention, while younger patients tend to be less "sticky" to practices.

Key Aesthetics Patient Purchasing Indicators by Age Group

Measure (excludes surgical procedures)	**Gen Z & Younger** (>=1997)	**Millennial** (1981-1996)	**Gen X** (1965-1980)	**Boomer & Older** (<=1964)
Share of Total Patients (2023)	8%	34%	36%	21%
Avg Spend Per Patient (2023)	$755	$1,205	$1,577	$1,716
Avg Visits Per Patient (2023)	2.0	2.5	2.9	2.8
Avg Spend Per Visit (2023)	$388	$488	$543	$619
Avg Retention Rate (2022-2023)	37%	49%	56%	56%

Qsight Sales Measurement
Due to rounding, percentage shares may not add up to 100%.

Comparison of Segment-Wise Share of Spend by Age Group (2023)

Segment	**Gen Z & Younger** (>=1997)	**Millennial** (1981-1996)	**Gen X** (1965-1980)	**Boomer & Older** (<=1964)
Neurotoxins	19%	34%	32%	27%
Dermal Fillers	25%	17%	18%	26%
Energy-Based Devices	26%	20%	19%	20%
Skin Rejuvenation (Non-EBD)	9%	7%	6%	7%
Professional Grade Skincare	7%	5%	5%	6%
Weight Loss & Dietary	7%	8%	9%	6%
Hormone Replacement Therapy	1%	3%	6%	4%
Other Products & Procedures	7%	7%	4%	4%

Qsight Sales Measurement
Due to rounding, percentage shares may not add up to 100%.

When assessing segment-wise share of total aesthetics spend by age group, a few interesting observations arise. Neurotoxins are more popular among patients in the middle range of ages (Millennials + Gen X), while conversely, dermal fillers are more popular among patients on either side of the age range (Gen Z & Younger, Boomers & Older). Energy-based devices are noticeably more popular among Gen Z & Younger, possibly due to a higher likelihood for younger patients to adopt treatments based on newer technologies.

Demographic Analysis by Practice-Reported Gender

Perhaps surprisingly, male patients are relatively in line with female patients on a range of purchasing behavior indicators, including spend per patient, annual visits per patient, and spend per visit. The two groups differ the most on retention rate, with female patients being associated with a higher practice retention rate than male patients.

Key Aesthetics Patient Purchasing Indicators by Gender

Measure (excludes surgical procedures)	Female	Male
Avg Spend Per Patient (2023)	$1,380	$1,766
Avg Visits Per Patient (2023)	2.6	2.7
Avg Spend Per Visit (2023)	$522	$651
Avg Retention % (2022-2023)	53%	49%

Qsight Sales Measurement

Further notable differences arise when comparing share of spend by segment between the two groups. Notably, neurotoxin procedures are much more popular among females, while hormone replacement therapy and weight loss & dietary lifestyle occupy a higher share of spend among males.

Comparison of Segment-Wise Share of Spend by Gender

Segment	Female	Male
Neurotoxin	32%	14%
Dermal Filler	21%	8%
Energy-Based Devices	20%	13%
Weight Loss & Dietary Lifestyle	7%	10%
Skin Rejuvenation (Non-EBD)	7%	6%
Hormone Replacement Therapy	3%	19%
Professional Grade Skincare	6%	2%
Other Products & Procedures	3%	28%

Qsight Sales Measurement

Due to rounding, percentage shares may not add up to 100%.

UNDERSTANDING THE MEDICAL SPA LANDSCAPE

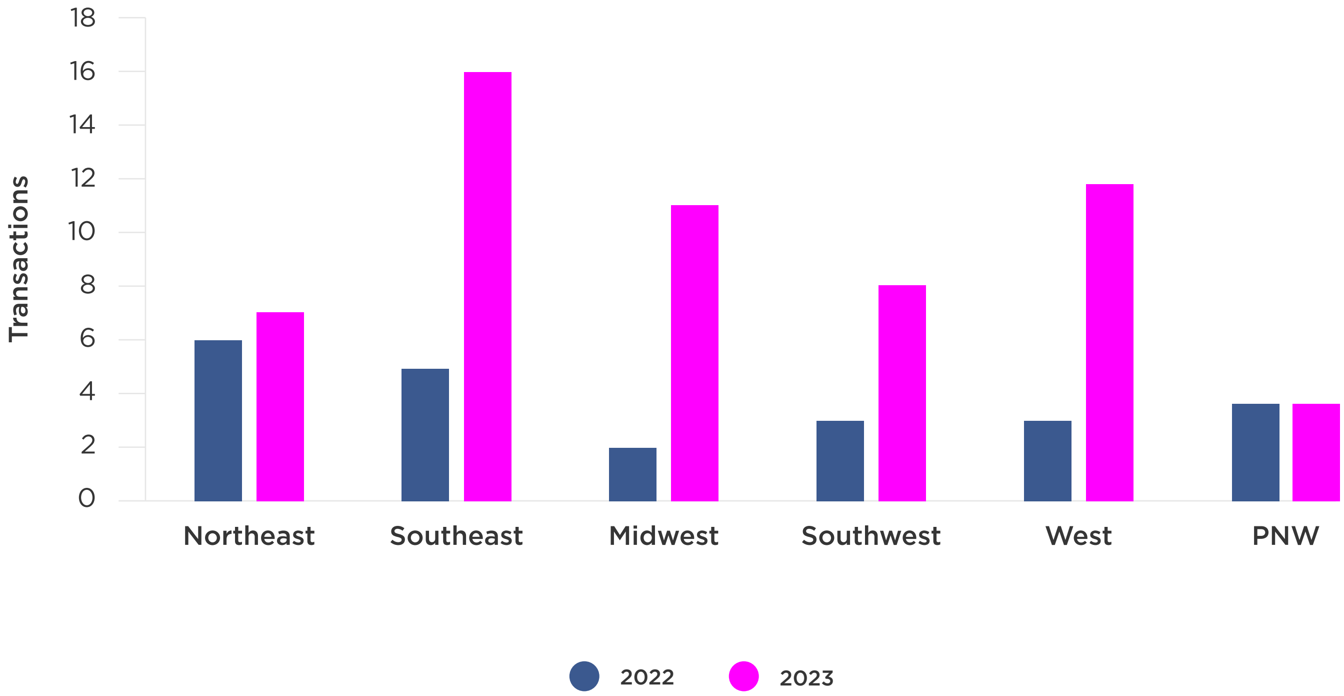
M&A Activity and Summary

Skytale experienced a significant uptick in 2023 transactions with 6 closings advised by Skytale alone. The Southeast and West coast continue to see significant activity and Skytale's thesis is with the lack of scale available for initial investments, groups are starting smaller and building regionally with additional add-ons. The additional add-ons become more available in these types of markets that have more available practices to acquire than some of the other markets in the country.

- **Surgical vs Non-surgical**
  - Skytale estimates that 31% of the aesthetic transactions had a surgical component to the practice
- **Multi-site vs Single Site**
  - Skytale estimates that 57% of the aesthetic transactions only had one location
  - About 6% of the transactions had nine or more locations which speaks to the scale scarcity

Transactions by Region

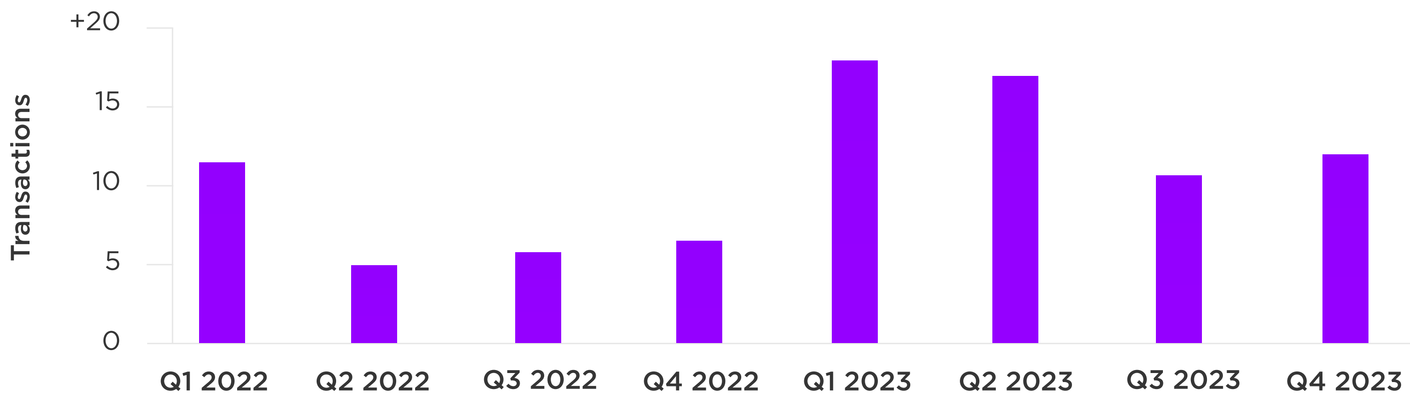
Number of transactions in 2022 vs. 2023



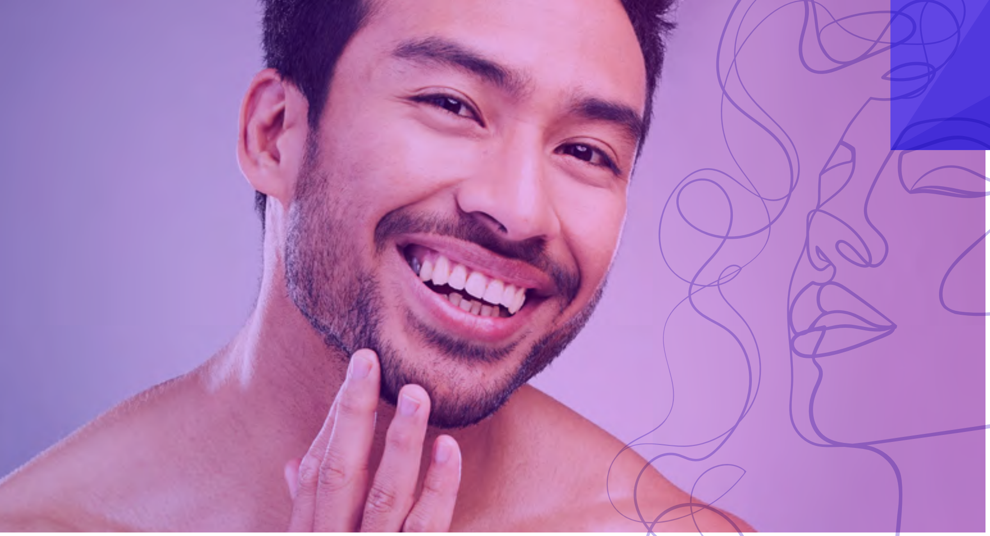
Pitchbook

Aethestics Transactions

2022 - 2023



Pitchbook



UNDERSTANDING THE MEDICAL SPA LANDSCAPE

SWOT Analysis

The State of Medical Aesthetics

The medical aesthetics industry is growing and offers several advantages that benefit owners and investors. However, the industry is fragmented and ripe for consolidation because of some of those same advantages. Here we provide a diagnosis on the state of the industry.

Strengths

The consumer base has been expanding as medical spa treatments are generally more socially acceptable. Patients are starting earlier in life, and more men are receiving treatment. We estimate a shift from 95% women to about 90%. Also, less affluent consumers are receiving treatments, as more are offered at lower price points.

Certain services are both effective and recurring, leading to a reliable repeat customer base, which is highly valued by private equity groups, as discussed above. These services often have immediate results, boosting patient confidence in themselves and their provider. These patients are more likely to receive multiple treatments each year, and more touchpoints reinforce patient retention as well as provide opportunities to sell other services.

Businesses can also benefit from the ability to provide multiple services with different types of providers, and thus a diverse revenue stream. As mentioned above, this diversification is appealing to investors.

Finally, innovation continues within the industry, improving the med spa experience. Treatments have become more convenient, less painful, and may require less time for recovery.

Weaknesses

Limited and noisy data is an issue for owners and investors. Since the industry lacks standardization in medical coding, each practice can code their data differently. This makes it more challenging to compare business performance, or even to analyze it in depth, and could make transactions a bit more complicated. We are beginning to see adoption of systems with enterprise level reporting, but it is still very early.

Also, there is often not one generally accepted treatment for a particular issue, but rather a patchwork of options. While additional choice is usually considered advantageous, too many devices performing the same service can create confusion within a practice regarding clientele demand and forecasting return from investment in new devices.

Provider risk — that a provider will leave and take patients along — always exists and the “influencer” continues to be shied away from.

Influencers have held sway over practices in the past, due to their personal brands and key person risk. However, practices have been more deliberate of late that they own the intellectual property of the business, including all social media of the business, and providers do not get to take their content with them if they want to leave the practice. This ensures greater patient retention even if a provider leaves, and so has reduced influencer risk. Patients are married to the brand not the provider.

Opportunities

There continues to be a push to professionalize medical aesthetics. With this sophistication will come businesses who had started this out of a hobby and can’t keep up, while others who have the sophistication to hire a team around them to continue to push the business forward are more likely to thrive.

Threats

As the medical aesthetics industry continues expanding, there is always a risk of greater regulatory scrutiny.

Providers always face liability risk since procedures are medical. With this comes the possibility of a brand being tarnished by bad outcomes and patient lawsuits.

Some providers are not compliant in how they perform services, which sheds a bad light on the medical aesthetics industry. One mistake or misuse could result in new regulation to prevent subsequent bad outcomes.
The death in July 2023 of a woman receiving IV treatment at a medical spa in Texas made headlines, and the Texas Medical Board issued an order temporarily suspending the license of the medical spa's medical director. Such incidents could lead to changes in laws regarding IV treatments among other services.

FINAL WORDS

Conclusion

It is difficult to make a good decision with poor data. Owners and investors in the medical aesthetics industry have grappled with a dearth of industry-wide data and analysis for years, even as the industry has grown and matured.

We combined the leading management consulting and investment banking expertise of Skytale Group with the premier data and analytics of Guidepoint Qsight to finally bring clarity to the larger trends of the industry.

The industry is growing and evolving, benefiting from innovations while relying less on invasive procedures. In addition, patient demographics are shifting, with potential for even more growth in the years ahead.

As the industry matures, capital investors are playing a larger role, while business owners have more opportunities to expand their practices or to receive compensation for their hard-earned value.

Finally, while there is risk of greater regulatory oversight as the number of practices grow and cross state lines, we believe the opportunities outweigh the risks in the industry, and the strengths outweigh the weaknesses. The industry should continue to prosper.

FOOTNOTES

1. Qsight Practitioner Tracker
2. Qsight Practitioner Tracker
3. Expert interviews on the state of the aesthetic industry
4. Qsight Market View
5. Qsight Sales Measurement
6. Qsight Sales Measurement
7. Qsight Practitioner Tracker
8. Qsight Market View
9. Qsight Sales Measurement
10. Qsight Sales Measurement
11. Qsight Market View
12. Qsight Sales Measurement
13. Qsight Sales Measurement
14. Qsight Market View
15. Qsight Sales Measurement
16. Qsight Market View
17. https://www.medicalnewstoday.com/articles/ozempic-face#other-side-effects
18. Guidepoint Qsight Aesthetics Webinar, March 2024
19. Qsight Sales Measurement
20. Qsight Prospector
21. Qsight Sales Measurement
22. Hereafter, “patient retention” is defined as the percentage of a practice’s patients from the previous year that returned for services in the current year. For example, if a practice saw 1,000 patients in 2022, and 500 of them returned for services in 2023, then that practice’s patient retention was 50% for 2023.

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