



Pet Industry M&A Update

Q2 2023

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Trevor Hulett

Managing Director
thulett@rlhulett.com

Ryan Hartman

Senior Analyst
rhartman@rlhulett.com

Charlie Meier

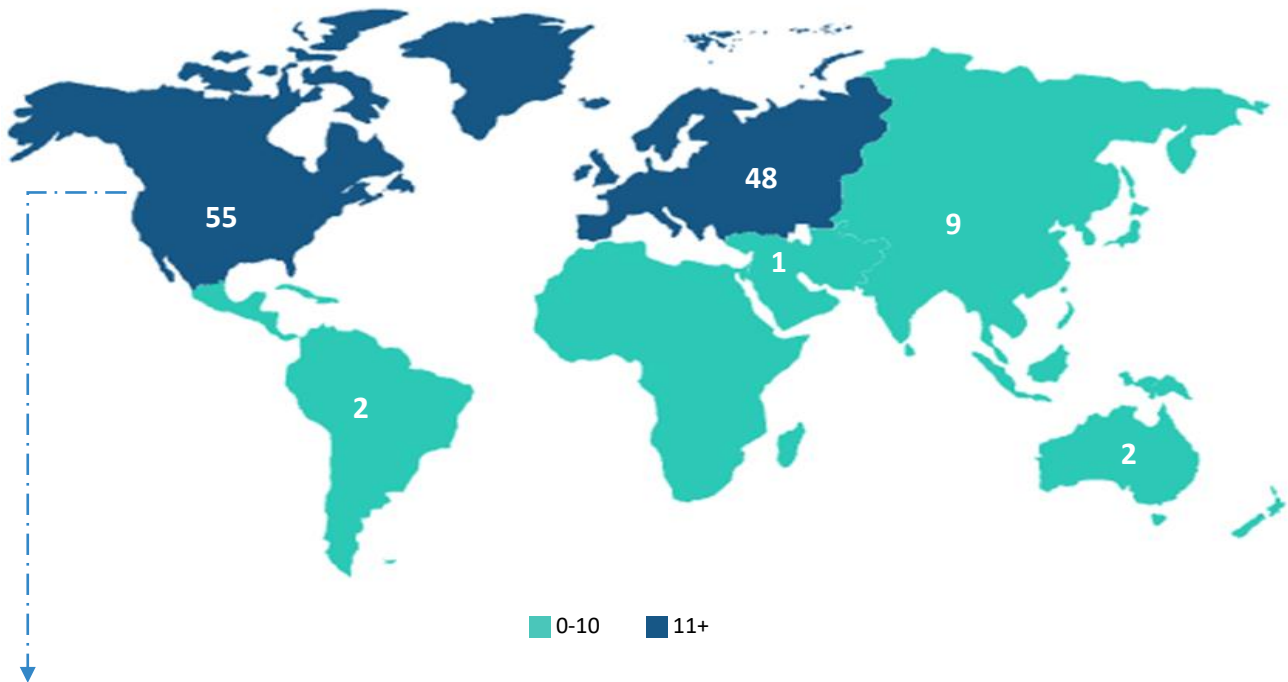
Analyst
cmeier@rlhulett.com

REPORT HIGHLIGHTS

- The ProShares Pawz Pet Care ETF increased 1.2% in Q2 but underperformed the S&P 500 index, which increased 6.1% in the same period.
- The median EV/EBITDA multiple for reported private equity deals increased to 23.3x in 1H from 15.4x in 2022.
- M&A deal volume in the Pet sector decreased 3.3% in Q2 to 117 deals from 121 in Q1 and 45.6% from 215 deals in Q2 of the prior year.
- As a % of total capital invested in M&A transactions in 1H, PE participation decreased significantly to 18.6%, down from 53.9% in 2022.
- North America was the most active region in Q2 with 55 deals. Most notable in North America was Post Holdings' \$1.2 billion acquisition of J.M. Smucker Co's Pet Food Business in April 2023.

Global Deal Analytics

Of the 117 deals in Q2, North America was the most active market with 55 completed transactions, followed by Europe with 48. A notable deal in the European market was Aurica Capital's \$22 million acquisition of Canitas Intermediación Veterinaria, a Spanish-based provider of veterinary services, in May 2023. All other regions combined for a total of 14 completed transactions.



United States Regions: 15

Southeast:	11
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Great Lakes:	9
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Mountain:	9
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West Coast:	2
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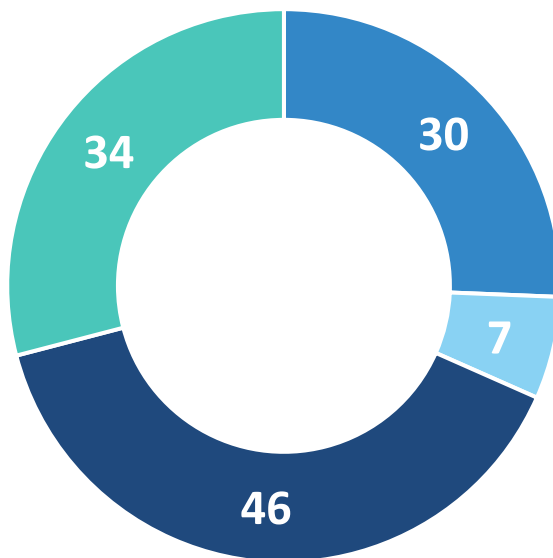
Other:	24
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In the North American market, the Southeast region was the most active in Q2 with 11 deals, followed by the Great Lakes region with 9. Another notable North American deal, (in addition to the J.M. Smucker's Pet Food Business deal mentioned on the previous page, was Gryphon Investors' \$140 million buyout of Vetnique Labs, an Illinois-based manufacturer of pet products, in June 2023. The Mountain and West Coast regions reported 9 and 2 transactions, respectively. All other regions totaled 24 closed transactions.

Global Deal Analytics

Of the 117 Pet deals in Q2, 46 were in the Pet Care Services subsector, making it the most active subsector in the industry from an M&A standpoint. Pet Products was the second most active with 30 deals followed by E-Commerce/Pet Tech with 7. All other subsectors combined had a total of 34 closed transactions.

Deals by Subsector



- Pet Products
- E-Commerce/Pet-Tech
- Veterinary Care Services
- Other



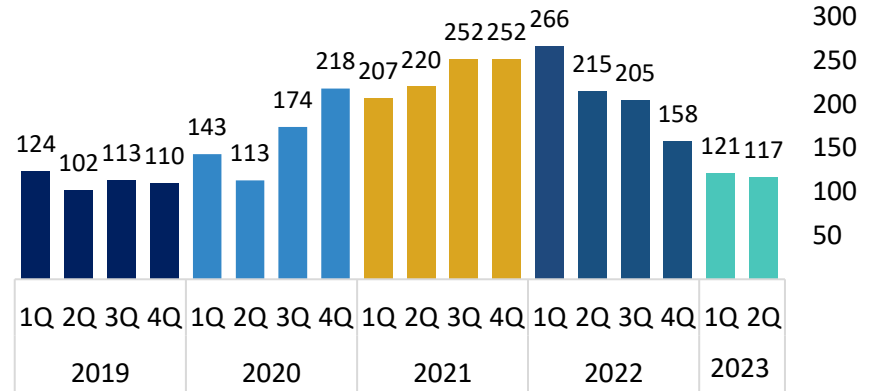
Global Deal Analytics

Deal volume in the Pet sector decreased 3.3% in Q2 to 117 deals from 121 in Q1 and 45.6% from 215 deals in Q2 of the prior year. Deal volume in Q2 represented the lowest quarter seen since the Covid lows in Q2 2020.

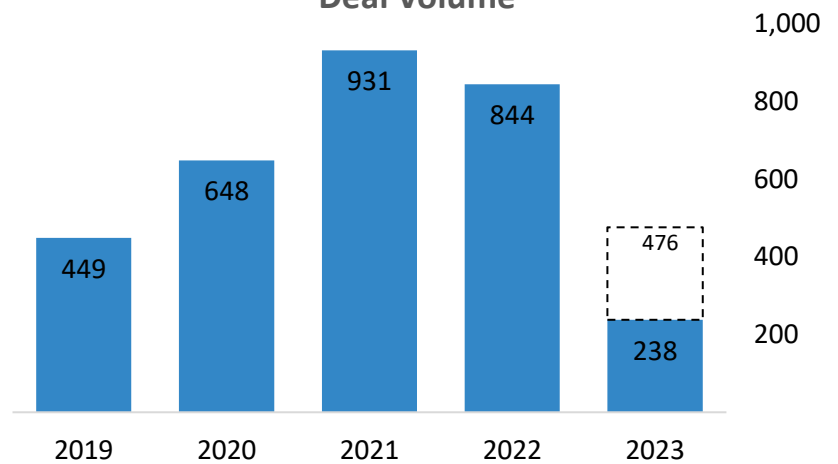
Based on 1H levels, M&A deal volume for 2023 is projected to decrease 43.6% to 476 deals, down from 844 in 2022. This anticipated decline is primarily due to more challenging market conditions from a dealmaking perspective, including rising interest rates/cost of capital, tightening liquidity in the capital markets and continuing inflation impacting labor costs.

Total capital invested in M&A deals in the Pet sector increased 53.8% in Q2 to \$4.0B from \$2.6B in Q1, but decreased 52.9% from \$8.5B in Q2 of the prior year. This significant increase from the prior quarter was primarily due to Post Holdings' \$1.2B acquisition of Smucker's Pet Food Business in April 2023. The largest reported transaction in Q1 was Vimian Group's \$40.7 million acquisition of Viking Blues in March 2023.

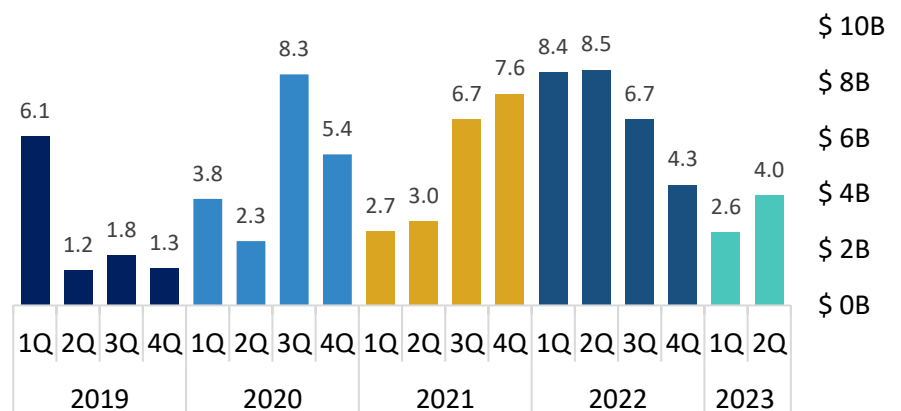
Deal Volume



Deal Volume



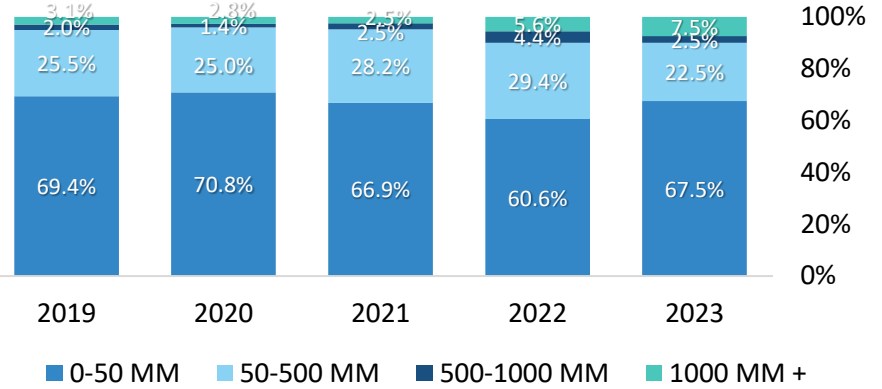
Total Capital Invested



Global Deal Analytics

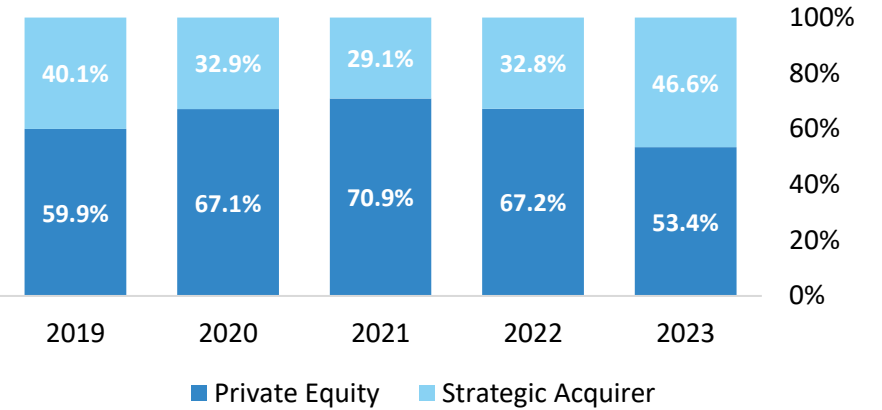
In 1H 2023, we saw a shift in mix toward the lower middle (\$0-\$50MM) and large cap (\$1000MM+) tranches of the market increasing to 67.5% and 7.5% of deal volume from 60.6% and 5.6%, respectively, in 2022. The middle (\$50-\$500MM) and upper middle (\$500-\$1000MM) tranches of the market decreased to 22.5% and 2.5% in 1H from 29.4% and 4.4%, respectively, in 2022.

Deal Volume by Deal Size



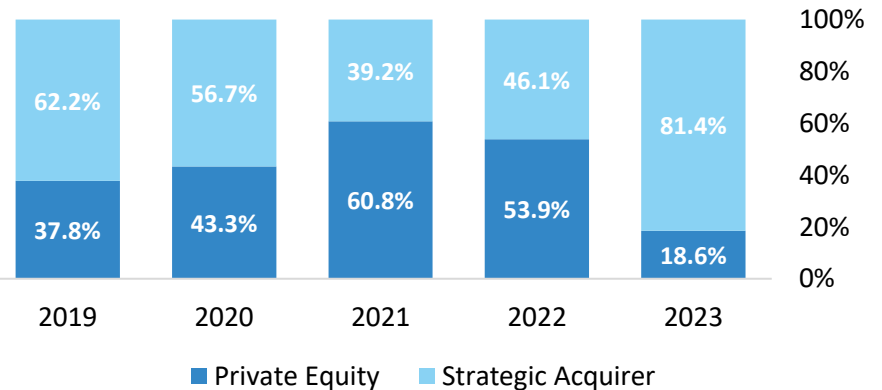
As a % of total deal volume, PE buyers trended lower in 1H 2023 relative to strategic buyers, representing 53.4% of deal volume in the sector. 1H 2023 marks the lowest percentage of PE deal volume over the last 5 years.

Deal Volume by Acquirer



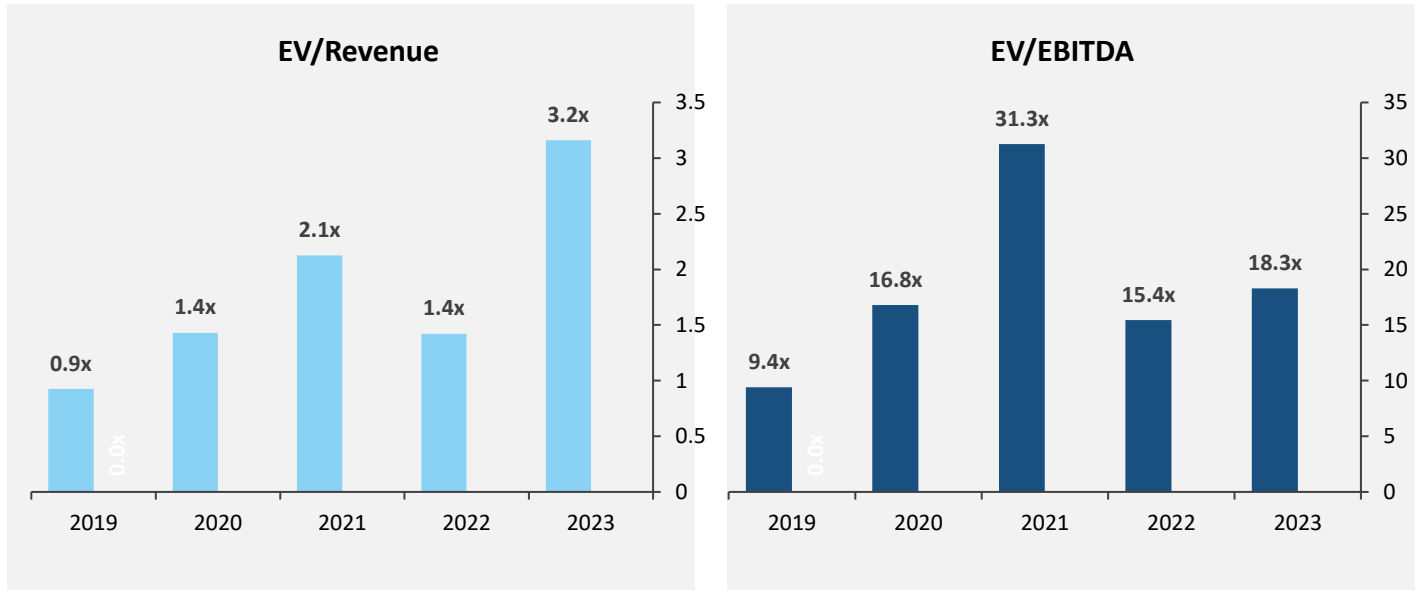
Following the trend in deal volume, PE share of total capital invested in M&A deals declined significantly in 1H 2023 to 18.6%, down from 53.9% in 2022 and down to the lowest share in five years. PE's share was largely reduced due to Post Holdings' \$1.2 billion acquisition of Smucker's Pet Food Business in April 2023. Over the same time period, the largest PE deal was Gryphon Investors' \$140 million buyout of Vetnique Labs.

Total Capital Invested by Acquirer

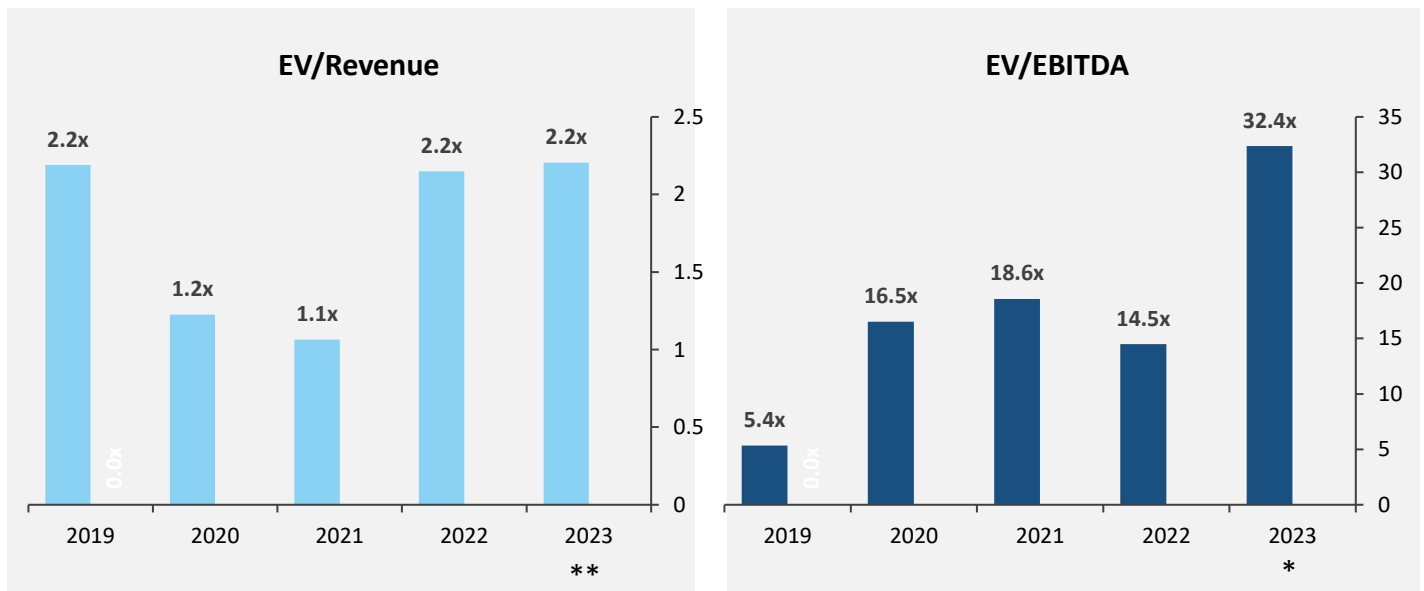


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* One EV/EBITDA multiple was reported for Strategic deals.

** EV/Revenue multiple excludes outliers

Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Revenue (\$mm)	EBITDA (\$mm)	Deal Size (\$mm)	EV		Target Business Description
							Revenue	EBITDA	
20-Jun-2023	Drools Pet Food	L Catterton	PE Growth/Expansion	\$ 45.2	\$ 4.5 *	60.0	1.33x	13.28x	Operator of a pet food company.
20-Jun-2023	Companion Animal Euthanasia Training Academy	Cortec Group	Buyout/LBO			2.0			Provider of training services in all aspects of companion animal euthanasia.
15-Jun-2023	Raw Advantage Pet Foods	A&M Capital Partners	Buyout/LBO						Manufacturer of freeze-dried and frozen raw food intended to serve in pet care industry.
14-Jun-2023	Blue Rabbit	Partners Group	Buyout/LBO			125.0			Provider of animal healthcare services intended to serve domestic pets.
13-Jun-2023	Heska	Mars	Merger/Acquisition	254.9	(5.7)	1,500.0	5.39x		Heska Corp is engaged in developing, manufacturing, marketing, selling, and supporting veterinary products.
30-May-2023	Mon Vêto	AXA	PE Growth/Expansion			545.0			Operator of a network of general veterinary clinics catering to the communities of Normandy, Ile-de-France and Brittany.
26-May-2023	PetVet.AI	Cannanine	Merger/Acquisition						Developer of AI trained on veterinary data to quickly identify common issues with animals in care.
25-May-2023	Swedencare	Symrise	PIPE	189.3	34.6	0.1			Producer of premium products for the pet healthcare industry.
23-May-2023	Miscota	CrazyPet	Merger/Acquisition						Operator of an online retail store intended to make shopping for pet products easy, quick, and efficient.
11-May-2023	Canitas Intermediación Veterinaria	Aurica Capital	Buyout/LBO	7.4	1.6	22.0	4.99x	23.30x	Provider of comprehensive veterinary services.
09-May-2023	Whispering Pines Veterinary Services	Veterinary Practice Partners	Buyout/LBO						Operator of veterinary clinics intended for pets and domestic animals.
08-May-2023	Uckele	Not Reported	Merger/Acquisition						Producer of nutritional and health products designed to offer customizable and pure formulations.
28-Apr-2023	The J.M. Smucker Co's (Pet Food Business)	Post Holdings	Merger/Acquisition			1,209.6			Provider of pet food products.
17-Apr-2023	Vetnique Labs	Gryphon Investors	Buyout/LBO			140.0			Manufacturer of pet products.
14-Apr-2023	Canidae	L Catterton	Buyout/LBO	8.9					Manufacturer and seller of pet foods intended to promote planet-friendly food for animals.
05-Apr-2023	Riverview Veterinary Group	VetPartners	Buyout/LBO						Operator of veterinary clinics.
03-Apr-2023	PetCareRX	PetMed Express	Merger/Acquisition			36.0			Owner and operator of a medicine marketplace intended to sell pet prescriptions and medications.
01-Apr-2023	Maxbone	Wag!	Merger/Acquisition						Manufacturer of pet fashion products.
Mean				101.1	8.7	364.0	3.90x	18.29x	
Median				45.2	3.0	92.5	4.99x	18.29x	
High				254.9	34.6	1500.0	5.39x	23.30x	
Low				7.4	-5.7	0.1	1.33x	13.28x	

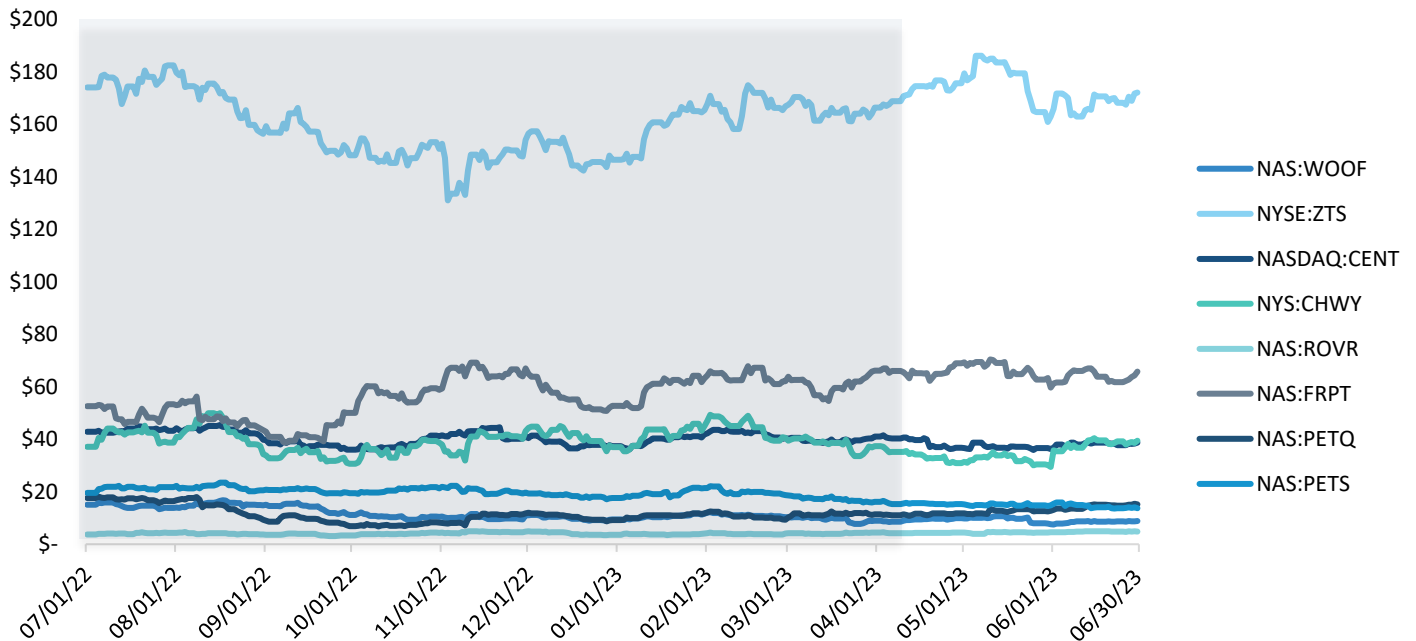
* EBITDA calculated assuming a 10% EBITDA Margin

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 <p>THE J.M. SMUCKER Co</p> 	<p>The J.M. Smucker Co's Pet Food Business, an Ohio-based provider of pet food products, was acquired by Post Holdings for \$1.2 billion in April 2023. This acquisition expands Post Holdings' industry coverage into the pet food sector with the creation of a new pet food platform within Post Consumer Brands.</p>	<p>Merger/ Acquisition</p>
 	<p>Vetnique Labs, an Illinois-based manufacturer of pet products, was acquired by Gryphon Investors through a \$140 million LBO in April 2023. This investment will help expand Vetnique Labs' geographic reach and improve its ability to develop clinically proven and highly efficacious products.</p>	<p>LBO</p>
 	<p>Blue Rabbit, a Maine-based provider of animal healthcare services, was acquired by Wedgewood Pharmacy (a portfolio company of Partners Group) through a \$125 million LBO in June 2023. The combination of Blue Rabbit's pharmacy network with Wedgewood Pharmacy's existing footprint will create a national network of licensed and accredited pharmacies.</p>	<p>LBO</p>
 	<p>Drools Pet Food, headquartered in India, is a provider of dry food, wet food, treats and supplements for pets. The company received \$60 million of development capital from L Catterton in June 2023. The funding will be used to enhance the brand's manufacturing capabilities, expand the company's retail footprint, and invest in marketing.</p>	<p>PE Growth/ Expansion</p>

Public Comps

Stock Price

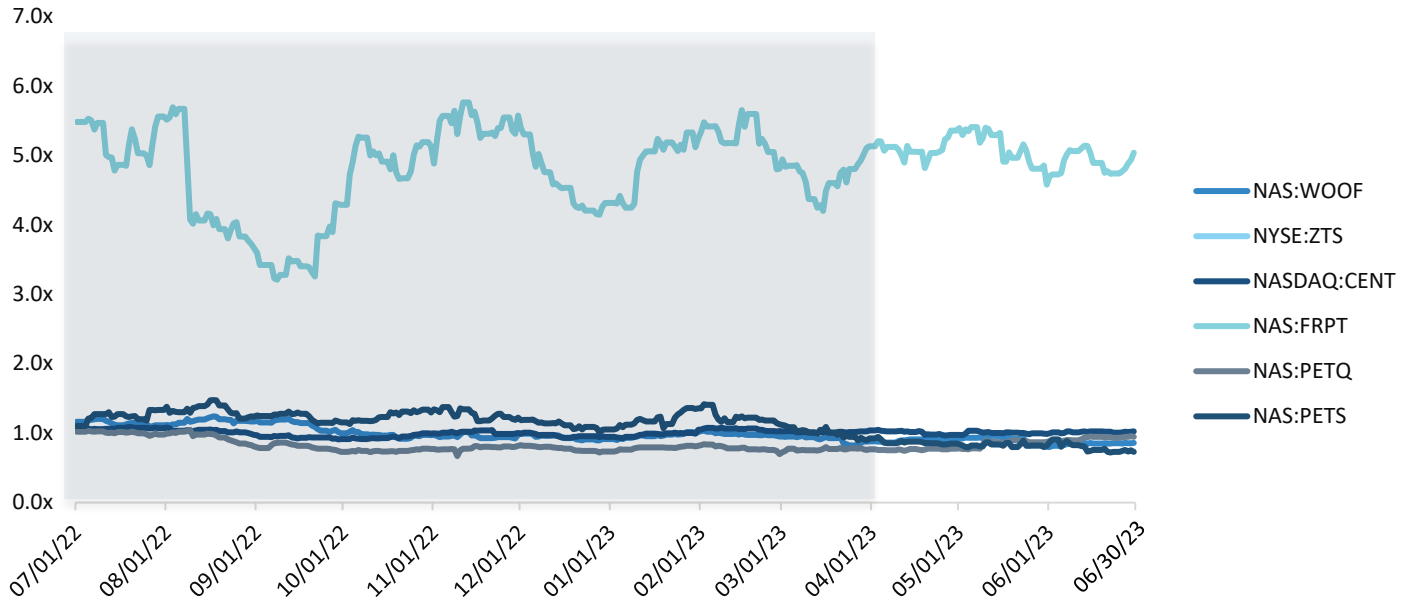


Financial & Valuation

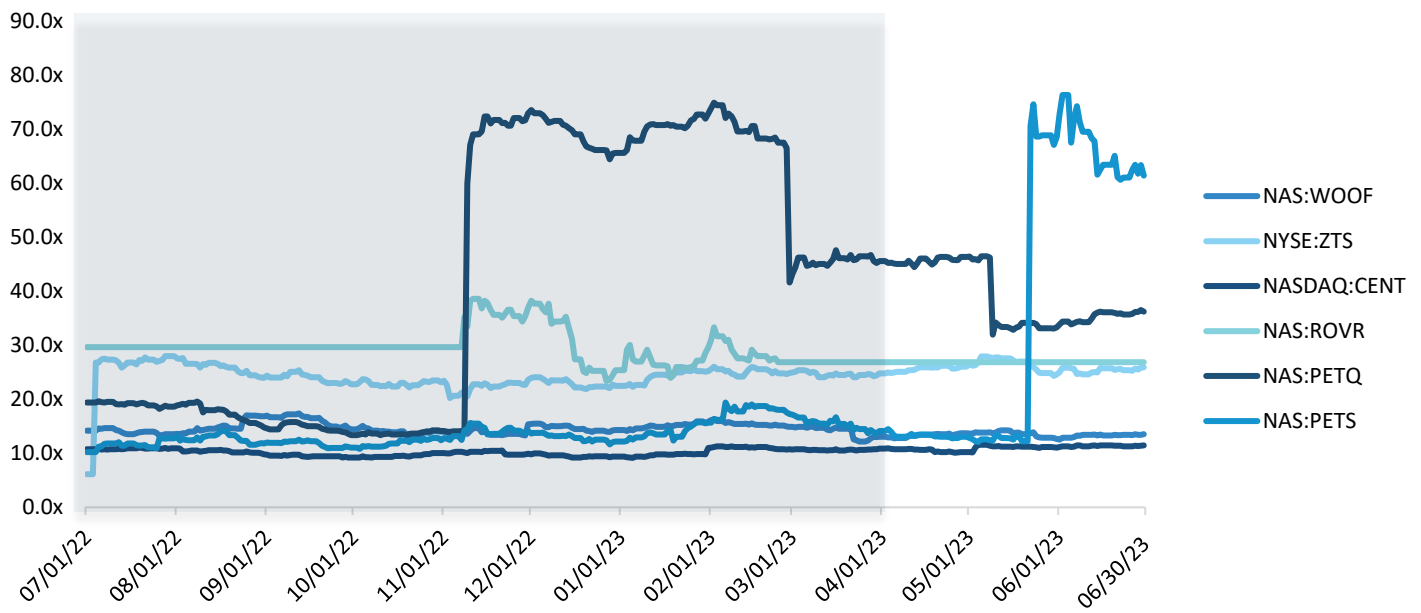
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA		
						21A	22A	23F	21A	22A	23F
	Petco Health & Wellness Company	NAS:WOOF	9	2,376	3,032	1.4x	0.9x	0.9x	17.9x	14.3x	9.3x
	Zoetis	NYSE:ZTS	172	79,580	6,742	15.6x	9.1x	8.4x	38.8x	22.5x	19.6x
	Central Garden & Pet	NASDAQ:CENT	39	2,002	1,397	1.1x	0.9x	0.9x	11.1x	9.4x	9.3x
	Chewy	NYS:CHWY	39	16,871	501	2.8x	1.6x	1.4x	393.1x	285.0x	46.1x
	Rover (Application Software)	NAS:ROVR	5	905	24	17.0x	2.9x	2.1x	N/A	25.4x	17.0x
	Freshpet	NAS:FRPT	66	3,167	397	10.1x	4.3x	3.1x	464.1x	N/A	41.9x
	PetIQ	NAS:PETQ	15	442	469	1.2x	0.7x	0.7x	20.6x	65.6x	6.5x
	Petmed Express	NAS:PETS	14	292	0	1.5x	1.1x	1.0x	12.1x	12.2x	8.8x
	Mean					6.3x	2.7x	2.3x	136.8x	62.1x	19.8x
	Median					2.2x	1.3x	1.2x	20.6x	22.5x	13.2x

Public Comps

EV/Revenue



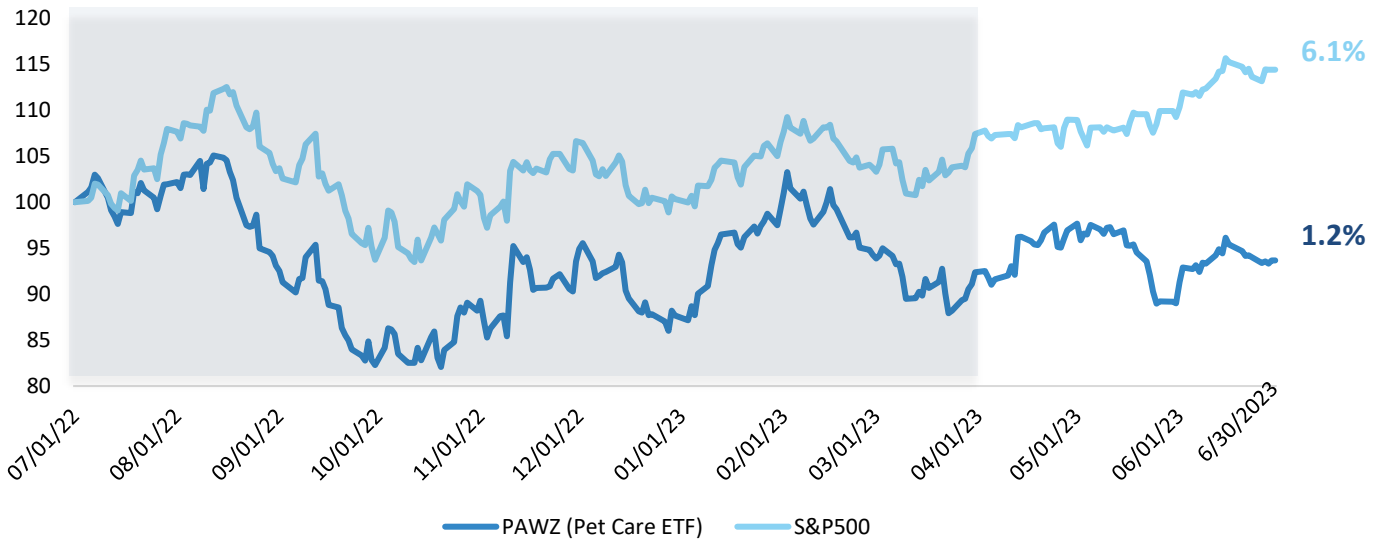
EV/EBITDA



Public Markets

Index Performance

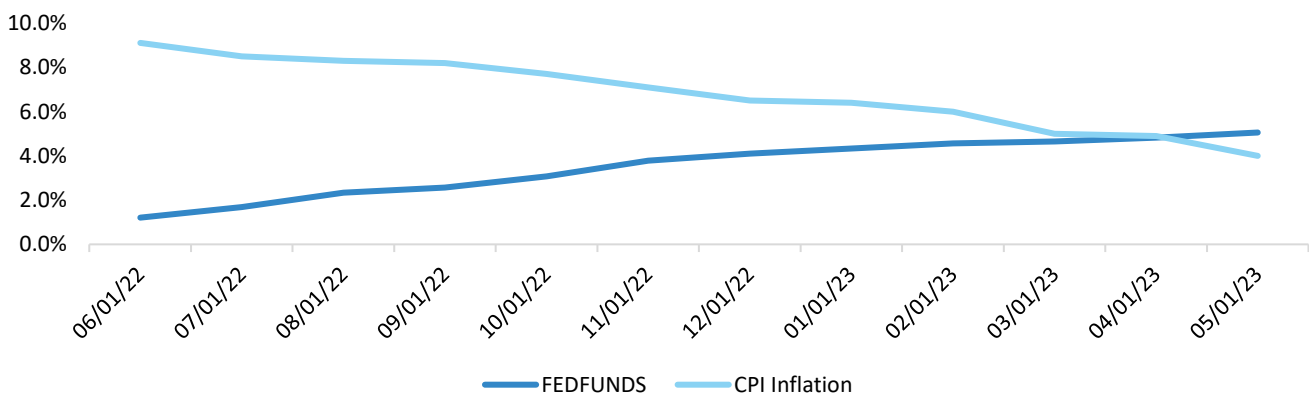
In Q2, the ProShares Pawz Pet Care ETF increased 1.2% and was outperformed by the S&P 500, which increased 6.1% over the same period.



Key External Drivers

Overall, the pet industry experienced slower growth compared to other industries and the overall economy.

To combat Inflation in the US, the Federal Reserve (“Fed”) began quantitative tightening in March 2022 in the form of 10 rate hikes to the Fed Funds Rate, to slow down consumer spending. As a result of the Fed’s rate hikes, May 2023 CPI inflation came out at 4.0% marking the eleventh consecutive month of declining inflation. While these rate hikes have caused inflation to slow down, the Chair of the Federal Reserve, Jerome Powell, stated they intend to raise rates two more times in 2023. Many economists do not believe the Fed will go through with the two 25 basis point hikes that Jerome Powell threatened. However, the stubborn inflation, a still-booming job market and a resilient economy indicate the Fed may raise rates to the highest levels seen over the last 2 decades. Continued rate hikes will lower consumer spending and result in lower revenues for the Pet sector.



Industry Trends

Pet Supplements

Rising Demand for Pet Supplements

Pet owners are becoming increasingly interested in improving their pets' health and wellness. Many owners are turning to pet supplements as a method to improve their pet's overall well-being. Options include daily multivitamins, treats that strengthen hips and joints, and chews that help with anxiety and promote calmness, among many others.



B.A.R.F

Biologically Appropriate Raw Food

An emerging trend amongst pet owners is the adoption of Biologically Appropriate Raw Food (B.A.R.F) for their pets. This trend signifies an increasing focus on the nutritional integrity of pet food. Companies like The Farmer's Dog have gained popularity as they offer fresh, natural pet food delivered to consumers' doorsteps.



Direct to Consumer (DTC)

E-commerce and DTC Experiencing Growth

Like many other industries, the pet industry is seeing a shift in consumer preference towards e-commerce and direct-to-consumer (DTC) channels and away from brick-and-mortar retail. Chewy is one company that has capitalized on this trend. Chewy's sales have grown from \$4.8 billion in 2019 to \$10.1 billion in 2022, indicating the overall growth of the sector.



Pet Population

Record-High Pet Ownership

The number of pets in the United States has historically seen stable growth. In 2022, 67.0% of households had pets compared to 56.0% in 1988. The American Pet Products Association (APPA) reports a record-high number of 191 million pets as of 2023. The pet population is projected to grow at an annualized rate of 0.9% from 2023 to 2028.



Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



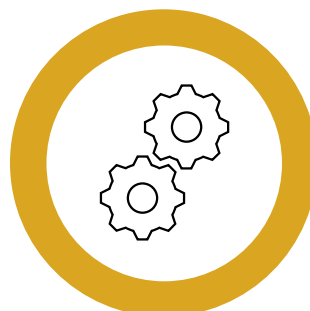
Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



Restructuring: reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Selected Transactions

Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Below are several recent transactions. Please note that this list is not comprehensive.



has been acquired by

Finney Enterprises, Inc.



has been acquired by



R. L. Hulett

inventive-group

has been recapitalized by



in collaboration with



R. L. Hulett




have been acquired by



a portfolio company of



R. L. Hulett



has been recapitalized by

Frontenac



has been acquired by



R. L. Hulett

Our Team



R. Trevor Hulett, CPA
Managing Director
(314) 721-0607 x112
thulett@rlhulett.com

Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
Chairman Emeritus
(314) 721-0607 x134
rlhulett@rlhulett.com

Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.

Our Team



Ron Litton
Director
(816) 810-0799
rlitton@rlhulett.com

Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



David T. Vass
Director
(314) 721-0607 x115
dvass@rlhulett.com

Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our Team



Ryan Hartman
Senior Analyst
(314) 721-8027
rhartman@rlhulett.com

Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree in Finance from The Freeman School of Business, Tulane University. Prior to joining the firm, Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



Charlie Meier
Analyst
(314) 721-8027
cmeier@rlhulett.com

Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



Lynda Hulett
Marketing
(314) 721-0607 x 104
lhulett@rlhulett.com

Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.

About R.L. Hulett

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including industrials, food & beverage, packaging, business services, transportation & logistics, healthcare and software/tech-enabled services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

Industry Sectors Covered:



Pet



Healthcare



Packaging



Industrials



Tech-enabled Services



Food & Beverage

Disclaimer

The data in this document has been derived from PitchBook Data and has been compiled by R.L. Hulett. This document is strictly for illustrative purposes only. The data presented in this document is not comprehensive and should not be used for benchmarking, valuation, or for any other decision making. R.L. Hulett accepts no responsibility for loss or damage caused by dependence on the information in this document.