



# Pet Industry M&A Update

## Q3 2023

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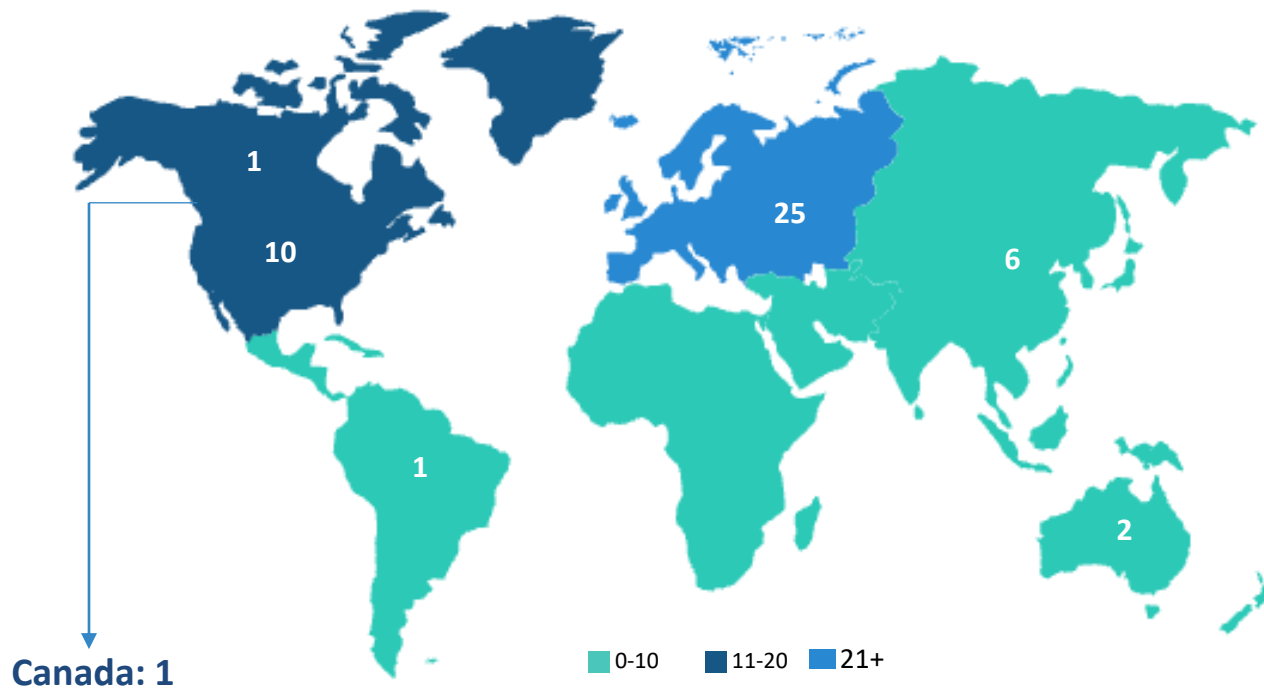
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### REPORT HIGHLIGHTS

- The ProShares Pawz Pet Care ETF decreased 11.6% in Q3 and was outperformed by the S&P 500 index, which decreased 3.8% over the same period.
- The median EV/EBITDA multiple for reported PE deals was 23.3x in YTD 2023, up from 15.4x in 2022, and increased for strategic deals to 36.6x in YTD 2023 from 14.5x in 2022.
- M&A deal volume in the Pet sector decreased 61.5% in Q3 to 45 deals from 117 in Q2 and 78.0% from 205 deals in Q3 of the prior year.
- Total capital invested decreased 90.0% to \$0.4 billion in Q3 from \$4.0 billion in Q2 and 94.0% from \$6.7 billion in Q3 of the prior year.
- Europe was the most active region in Q3 with 25 closed transactions. Most notable in the European market was DSM Firmenich's \$298.6 million acquisition of Adare Biome in July 2023.

# Global Deal Analytics

Of the 45 deals in Q3, Europe was the most active market with 25 completed transactions, followed by North America with 11. One of the most notable deals in the quarter in Europe (aside from the Adare Biome deal mentioned on the previous page) was Sepides' \$5.7 million acquisition of Dibaq, a Spanish producer of animal nutrition products, in September 2023. All other regions combined for a total of 9 completed transactions.



## United States Regions: 10

**Great Lakes: 5**

**Southeast: 2**

**Mountain: 2**

**Midwest: 1**

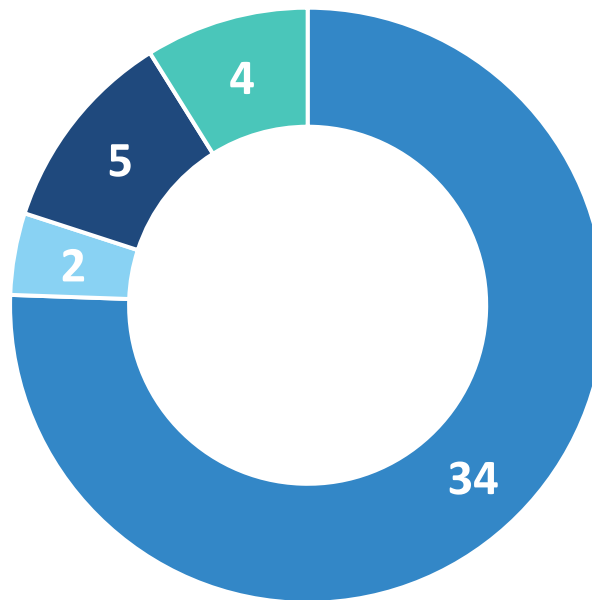
In the North American market, the Great Lakes region was the most active in Q3 with 5 deals, followed by the Southeast and Mountain regions which both saw 2 deals close. A notable North American deal was the \$3.0 million investment into MedVet Associates, an Ohio-based operator of emergency and specialty referral veterinary hospitals intended for companion animals, in July 2023. The Midwest region reported only 1 closed transaction.

Outside of the U.S. in the North American market, 1 transaction closed in Canada in Q3.

# Global Deal Analytics

Of the 45 Pet deals in Q3, 34 were in the Pet Products subsector, making it the most active subsector in the industry from an M&A standpoint. Veterinary Care Services was the second most active with 5 deals followed by B2B Services with 2. All other subsectors combined had a total of 4 closed transactions.

### Deals by Subsector



- Pet Products
- B2B Services
- Veterinary Care Services
- Other

   	 	  	   
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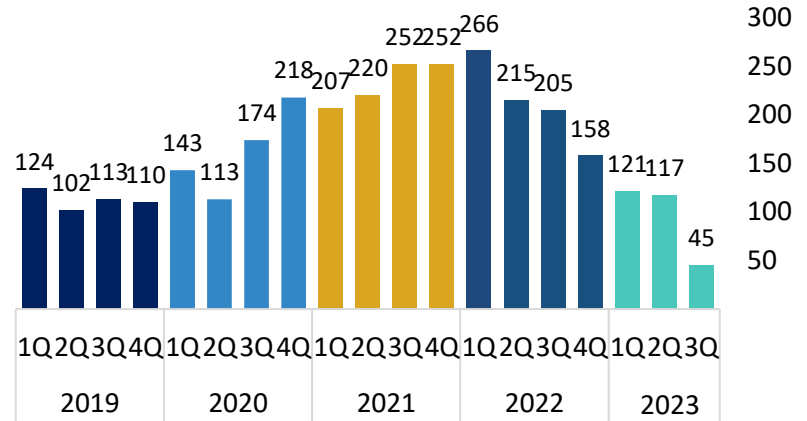
# Global Deal Analytics

Deal volume in the Pet sector decreased 61.5% in Q3 to 45 deals from 117 in Q2 and 78.0% from 205 deals in Q3 of the prior year. Deal volume in Q2 represented the lowest level seen over the past 5 years. In 2020, a surge in pet adoptions drove high levels of PE activity in the sector which lasted until Q1 2022. However, from Q2 2022 onwards, there has been a notable decline, as private equity buyers tend to reduce their involvement in a consolidated sector.

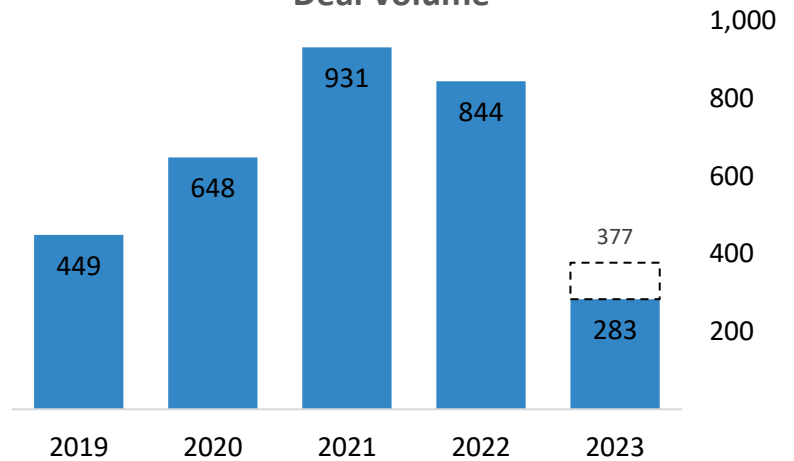
M&A deal volume is projected to see a 55.3% decline to 377 deals in 2023, down significantly from 844 in 2022. We attribute this decline to more challenging market conditions from a dealmaking perspective, including increased interest rates/cost of capital. These adverse conditions are expected to persist due to the Fed’s decision to maintain elevated interest rates through 1H 2024.

Following the trend in deal volume, total capital invested in M&A deals in the Pet sector decreased 90.0% in Q3 to \$0.4B from \$4.0B in Q2 and decreased 94.0% from \$6.7B in Q3 of the prior year. This significant decrease 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 Q3 was DSM Firmenich’s \$298.6 million acquisition of Adare Biome in July 2023.

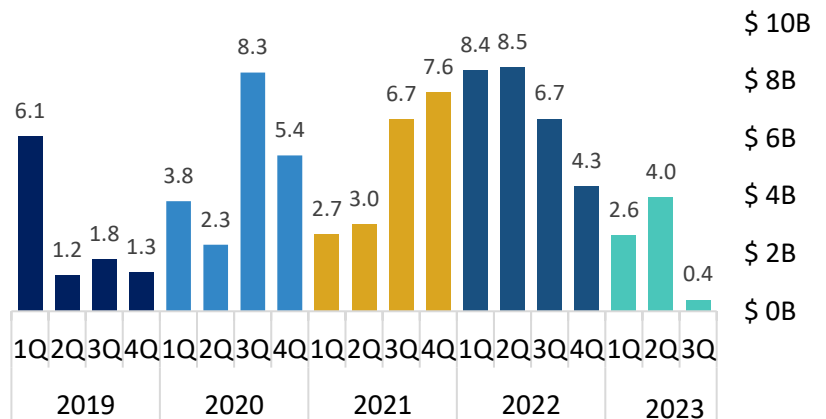
Deal Volume



Deal Volume



Total Capital Invested



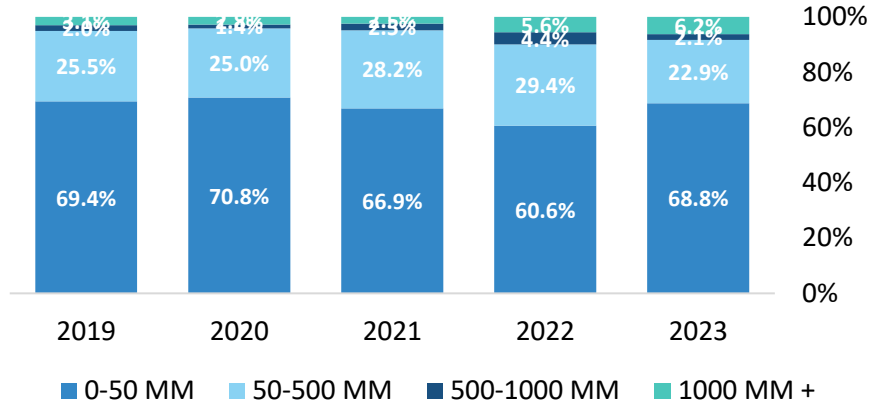
# Global Deal Analytics

YTD through Q3 2023, we saw a shift away from middle market (\$50 - \$500 MM) deals to the lower middle market (\$0 - \$50 MM), which saw an increase to 68.8% from 60.6% in 2022. The upper middle (\$500 - \$1000 MM) and middle (\$50 - \$500 MM) tranches of the market saw decreases to 2.1% and 22.9% in YTD 2023 from 4.4% and 29.4%, respectively, in the prior year. The large cap market (\$1000 MM+) saw a slight increase to 6.2% in YTD 2023 from 5.6% in the prior year.

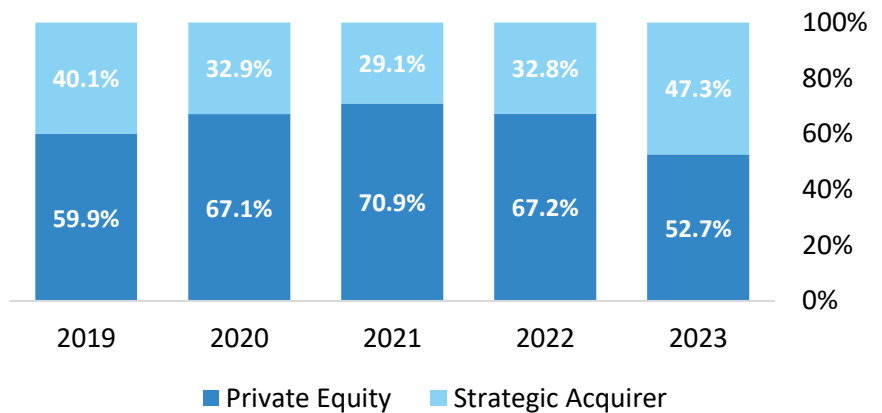
As a % of total deal volume, PE buyers trended significantly lower in 2023 relative to strategic buyers, representing 52.7% of deal volume in the sector. This lower level of PE activity is indicative of challenging market dynamics with increasing costs of capital and tightening liquidity from lenders.

Following the trend in deal volume, PE share of total capital invested in M&A deals declined significantly in YTD 2023 to 17.9%, down from 53.9% in 2022 and dropped to the lowest share in five years. This % decline in total capital invested by PE buyers is primarily a result of the Smucker's Pet Food Business deal mentioned on the previous page.

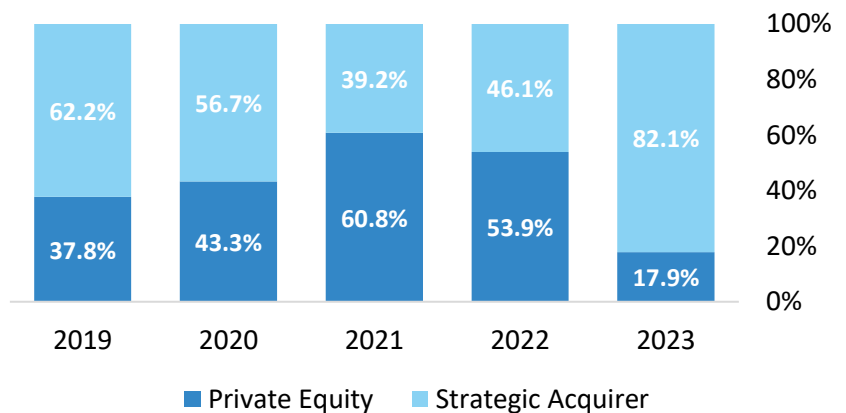
Deal Volume by Deal Size



Deal Volume by Acquirer

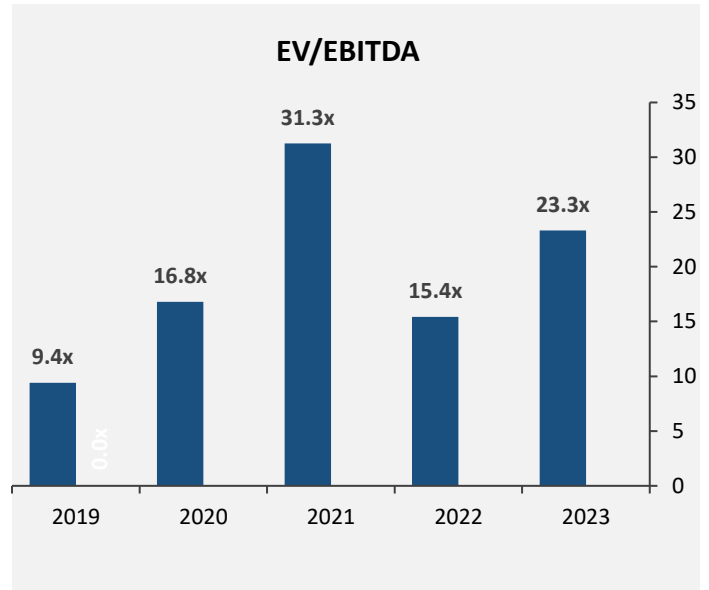
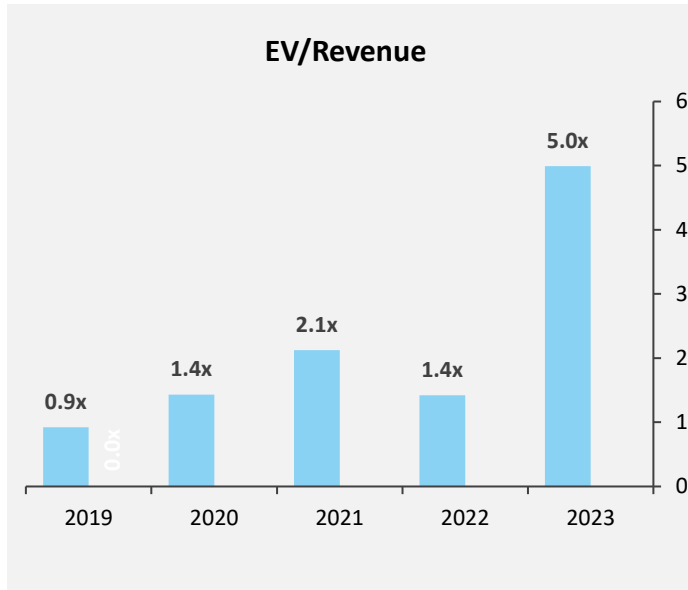


Total Capital Invested by Acquirer

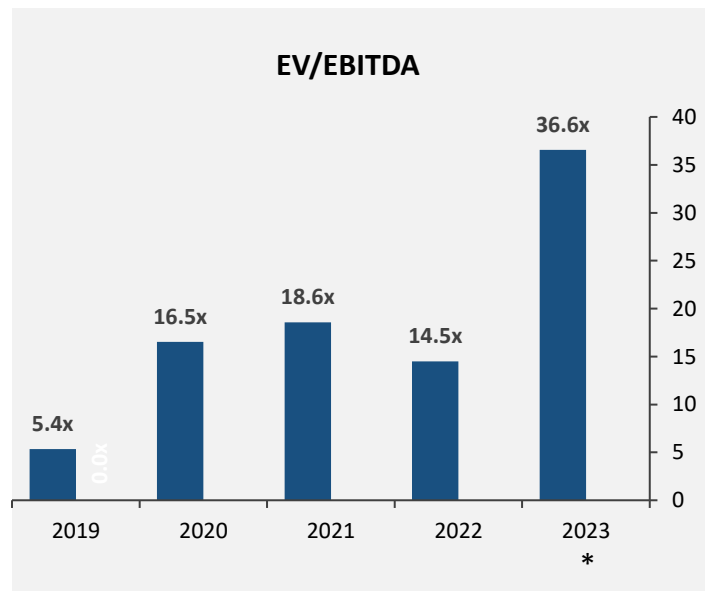
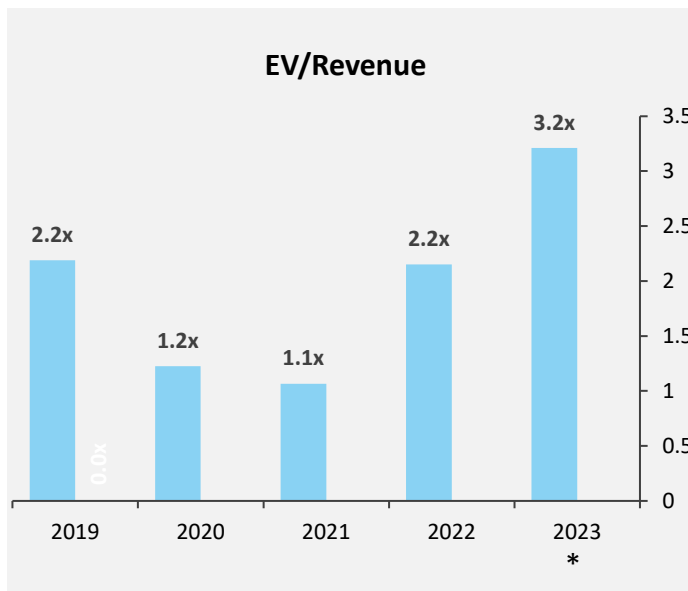


# Valuation Multiples

## Private Equity Multiples



## Strategic Multiples



\* EV/Revenue multiple excludes outliers.

# Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
29-Sep-2023	Alpha	PAI Partners	Buyout/ LBO				Manufacturer of pet foods and treats intended to offer enriched diets for the pet's good health.
29-Sep-2023	CIAM	La Finanziaria Trentina, QCapital	PE Growth/ Expansion				Distributor of veterinary products based in Ascoli Piceno, Italy.
26-Sep-2023	Colourful CPD	Agilio Software	Buyout/ LBO				Operator of non-clinical skills training for a veterinary services company located in Woodbridge, England.
20-Sep-2023	CTC Bio	Pharma Research	PIPE	5.2	1.70x**		Manufacturer and distributor of pharmaceutical products, veterinary medicines, feed additives, feed ingredients, and functional foods.
16-Sep-2023	Dibaq	Sepides	PE Growth/ Expansion	5.7	0.11x**	1.14x*	Producer of animal nutrition products based in Segovia, Spain.
15-Sep-2023	Adivo	Zoetis	Merger/ Acquisition				Developer of species-specific therapeutic antibodies intended to meet the medical need of pets.
14-Sep-2023	Residencia Canina Paraiso	Oaktree Capital Management	Buyout/ LBO				Operator of a canine and feline hotel and training company located in Alhaurin de la Torre, Spain.
13-Sep-2023	GoodVets	General Atlantic	PE Growth/ Expansion				Operator of a veterinary clinic intended to serve pets and small animals.
07-Sep-2023	The Fatory	Bioriginal Food & Science	Merger/ Acquisition				Producers of pet treats based in Bodegraven, Netherlands.
05-Sep-2023	Ashland Pet Store	Feeders Supply	Merger/ Acquisition				Operator of a pet store based out of United States.
05-Sep-2023	Soldan's Feeds & Pet Supplies	Feeders Supply	Merger/ Acquisition				Distributor of pet food and supplies based in Dewitt, United States.
01-Sep-2023	Starnberg Veterinary Clinic	Altano Gruppe, Ufenau Capital Partners	Buyout/ LBO				Provider of veterinary services intended to treat horses, small animals, pets, exotics and birds under one roof.
31-Jul-2023	Superior Pet Food	Ebos Group	Merger/ Acquisition	52.1			Distributors of pet food products based in Paeroa, Newzealand.
28-Jul-2023	Eden Research	Not Disclosed	PIPE	11.6	4.99x**		Developer and supplier of biopesticide products and natural microencapsulation technologies to the crop protection, animal health, and consumer products industries.
21-Jul-2023	Emerge Commerce	Not Disclosed	PIPE	0.6	0.73x**		Operator of an e-commerce business that provides customers with pet and premium meat/grocery products.
14-Jul-2023	MedVet Associates	Not Disclosed	PE Growth/ Expansion	3.0			Operator of a chain of emergency and specialty referral veterinary hospitals intended for companion animals.
03-Jul-2023	Adare Biome	DSM Firmenich	Merger/ Acquisition	298.6	8.19x	40.74x	Developer and producer of postbiotic solutions focusing on harnessing the power of the microbiome to improve human and animal health.
03-Jul-2023	WB Hunter	Lindsay Australia	Merger/ Acquisition	23.2			Australian-based provider of pet products.
Mean				50.0	3.14x	20.94x	
Median				8.6	1.70x	20.94x	
High				298.6	8.19x	40.74x	
Low				0.6	0.11x	1.14x	

\* EBITDA multiple calculated assuming a 10% EBITDA Margin.

\*\* Revenue multiple calculated using most recently reported revenue.

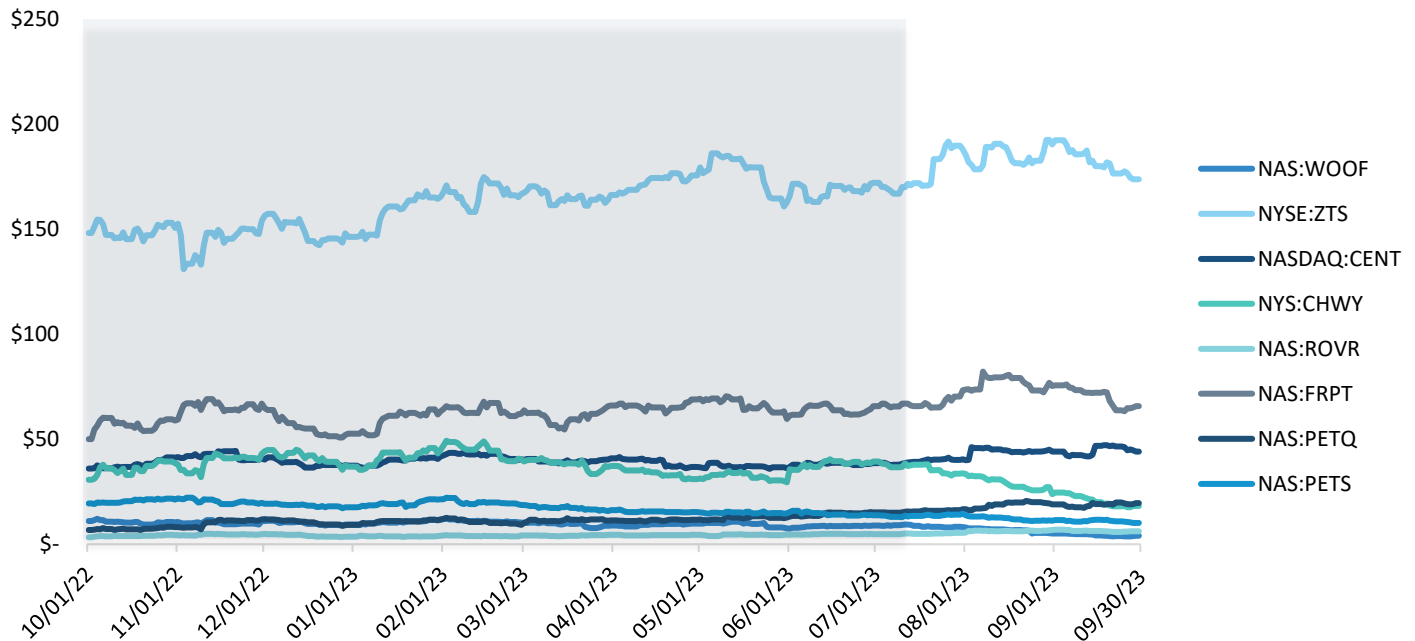
## Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>Adare Biome, a French-based developer of postbiotic solutions focusing on harnessing the power of the microbiome to improve human and animal health, was acquired by DSM Firmenich (“DSM”) for \$298.6 million in July 2023. The acquisition helps DSM to expand its animal nutrition offerings.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>Superior Pet Food, a New Zealand-based manufacturer and supplier of premium dog treats, was acquired by Ebos Group (“Ebos”) for \$52.1 million in July 2023. The acquisition is complementary to Ebos’ animal care products which are marketed under the Black Hawk and VitaPet brands.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>WB Hunter, an Australian-based provider of pet products, was acquired by Lindsay Australia (“LA”) for \$23.2 million in July 2023. The acquisition expands LA’s presence in the key growth markets of Victoria and New South Wales and provides a strong platform for pursuing further growth opportunities in these regions.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>ACJ International, a Missouri-based provider of pet foods, was acquired by Andersons for an undisclosed amount in July 2023. This acquisition expands Andersons' portfolio of ingredients while also enhancing its supply chain services throughout the central region of the US to provide further support for its customers in the pet food markets.</p>	<p><b>Merger/ Acquisition</b></p>



# Public Comps

## Stock Price

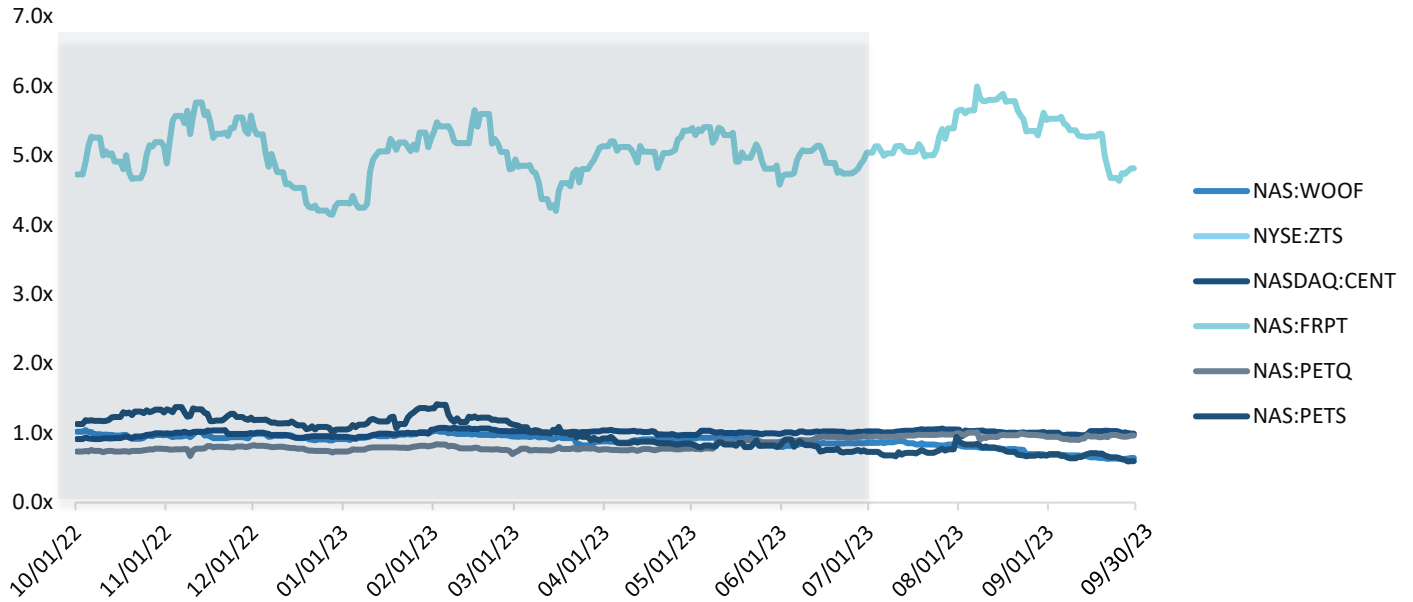


## Financial & Valuation

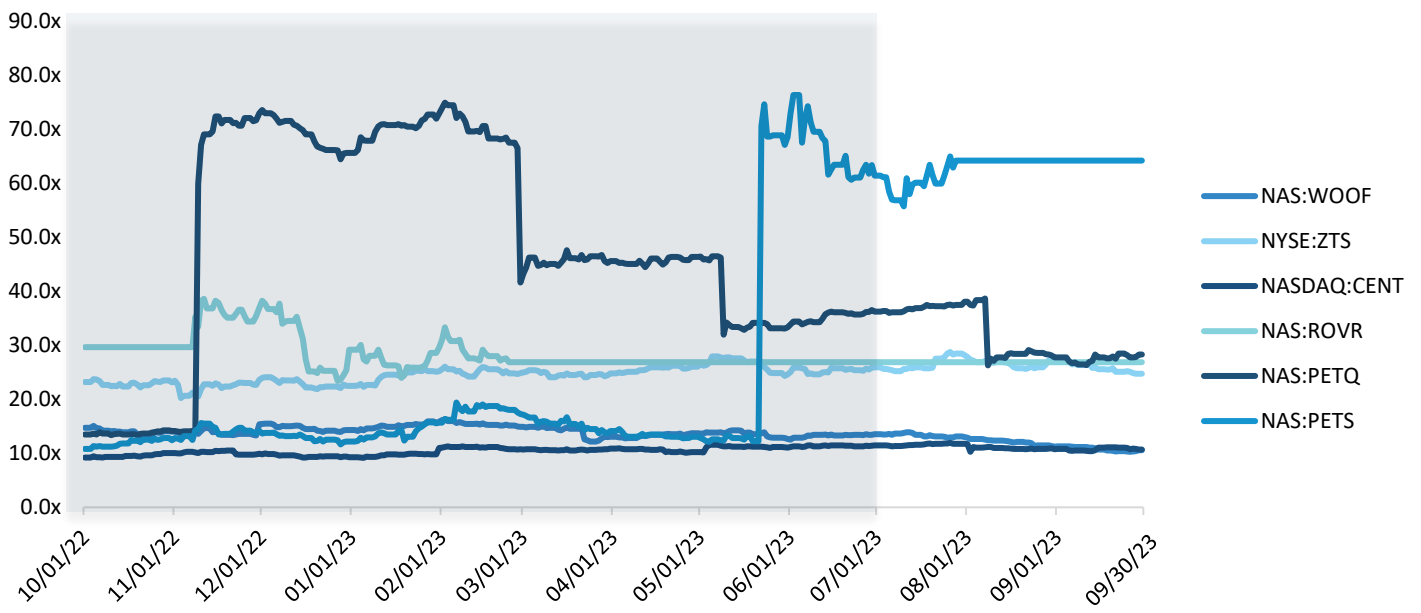
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA		
						21A	22A	23F	21A	22A	23F
	Petco Health & Wellness Company	NAS:WOOF	4	1,095	3,035	1.4x	0.9x	0.9x	17.9x	14.3x	9.3x
	Zoetis	NYSE:ZTS	174	80,086	6,745	15.6x	9.1x	8.4x	38.8x	22.5x	19.6x
	Central Garden & Pet	NASDAQ:CENT	44	2,203	1,370	1.1x	0.9x	0.9x	11.1x	9.4x	9.3x
	Chewy	NYS:CHWY	18	7,858	489	2.8x	1.6x	1.4x	393.1x	285.0x	46.1x
	Rover	NAS:ROVR	6	1,139	23	17.0x	2.9x	2.1x	N/A	25.4x	17.0x
	Freshpet	NAS:FRPT	66	3,177	397	10.1x	4.3x	3.1x	464.1x	N/A	41.9x
	PetiQ	NAS:PETQ	20	575	466	1.2x	0.7x	0.7x	20.6x	65.6x	6.5x
	Petmed Express	NAS:PETS	10	217	2	1.5x	1.1x	1.0x	12.1x	12.2x	8.8x
	<b>Mean</b>					<b>6.3x</b>	<b>2.7x</b>	<b>2.3x</b>	<b>136.8x</b>	<b>62.1x</b>	<b>19.8x</b>
	<b>Median</b>					<b>2.2x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>20.6x</b>	<b>22.5x</b>	<b>13.2x</b>

# Public Comps

## EV/Revenue



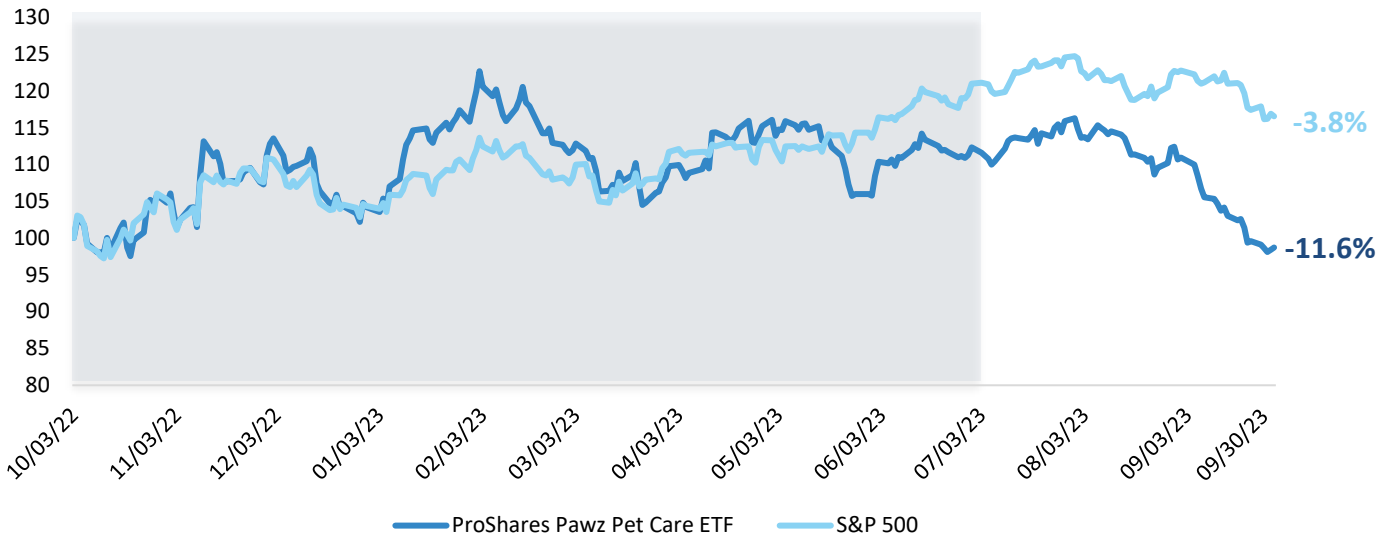
## EV/EBITDA



# Public Markets

## Index Performance

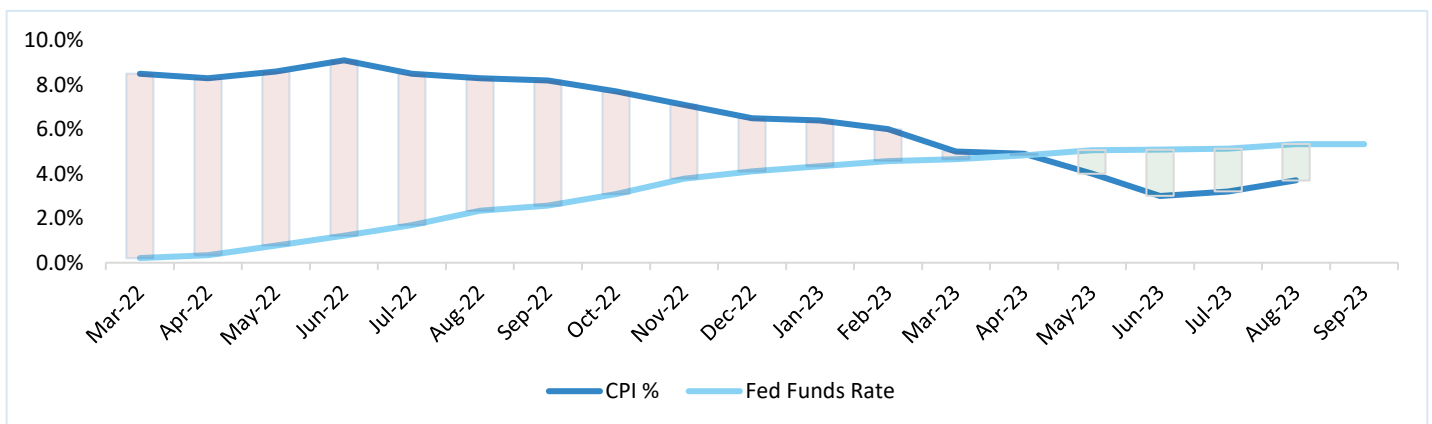
In Q3, the ProShares Pawz Pet Care ETF decreased 11.6% and was outperformed by the S&P 500, which decreased 3.8% over the same period.



## Key External Drivers

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

In September 2023, the Federal Reserve decided to keep the Federal Funds Rate stable at 5.3%, signaling a reversal in the trend of the Fed’s increasing rate hikes that we saw from March 2022 to August 2023. The Fed’s recent decision was likely a result of the CPI decreasing from a peak of 9.1% in June 2022 to 3.7% in August 2023. However, the CPI remains above the Fed’s 2% target and indicates we will see another rate hike in 2023, followed by a long pause at 5.4% in 1H 2024 due to concerns that inflation might not fall fast enough. The job market and the economy have remained robust despite these rate hikes as the Fed seeks to guide the economy towards a "soft landing" in an attempt to reduce inflation without causing a recession. An elevated Federal Funds Rate will lower consumer spending and result in lower revenues for the Pet sector.



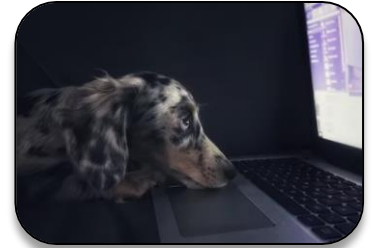
Source: IBISWorld, S&P Global

# Industry Trends

## Pet Tech

### *Rising Demand for Pet Tech Products*

Pet technology is on the rise, with companies like Whistle creating tech-enabled collars for remote monitoring and connectivity. This trend is reshaping the way pet owners manage and care for their pets, offering them unprecedented insights into their animals' health and behavior.



## Premium Pet Food

### *Premium and Natural Pet Food*

The surging demand for premium and natural pet products, produced by companies like Blue Buffalo, reflects a significant shift in pet owners' preferences towards healthier and higher-quality options. This trend underscores the importance for businesses in the pet industry to prioritize product quality and natural ingredients to meet the evolving expectations of discerning pet owners.



## Direct to Consumer (DTC)

### *E-commerce and DTC Experiencing Growth*

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.



## Alternative Medications

### *CBD and Hemp Pet Products*

Pet owners are increasingly turning to natural remedies like CBD and hemp-based products to address their pets' anxiety, pain management, and overall well-being. Companies such as Honest Paws offer a range of products, from Hemp Soft Chews to CBD oils and Tinctures, to cater to this growing demand.



# 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.



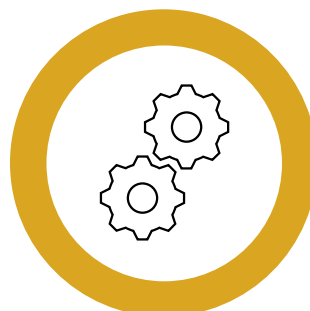
## Buy-Side Advisory: Buy a business

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



**inventive-group**

has been recapitalized by



in collaboration with



have been acquired by




a portfolio company of



has been recapitalized by

**Frontenac**



has been acquired by



## Our Team



**R. Trevor Hulett, CPA**  
Managing Director  
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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  
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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  
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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  
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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  
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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  
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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  
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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.