



Pet M&A Update – Q4 2023



Pet Industry M&A Update

Q4 2023

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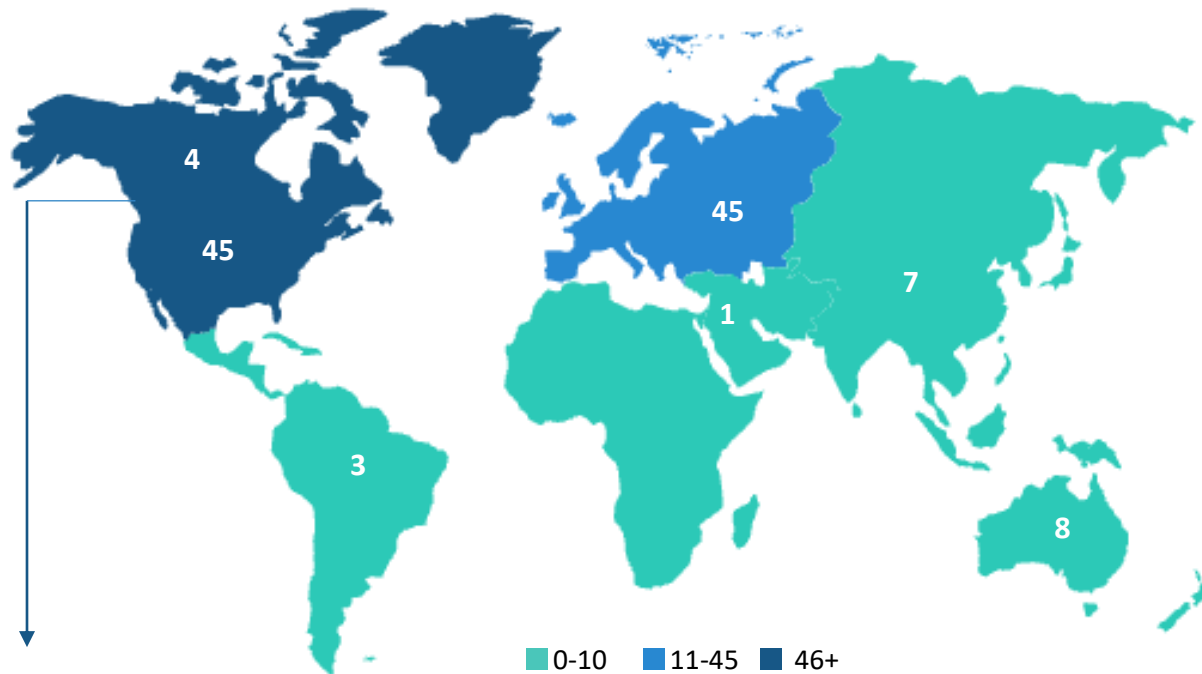
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REPORT HIGHLIGHTS

- The ProShares Pawz Pet Care ETF increased 19.1% in Q4 and outperformed the S&P 500 index, which increased 11.2% over the same period.
- The median EV/EBITDA multiple for reported PE deals was 23.3x in 2023, up from 15.4x in 2022, and increased for strategic deals to 36.6x in 2023 from 14.5x in 2022.
- M&A deal volume in the Pet sector increased 151.1% in Q4 to 113 deals from 45 in Q3, but decreased 28.5% from 158 deals in Q4 of the prior year.
- Total capital invested increased 3475.0% to \$14.3 billion in Q4 from \$0.4 billion in Q3 and increased 232.6% from \$4.3 billion in Q4 of the prior year.
- North America was the most active region in Q4 with 49 closed transactions. Most notable in the North American market was PAI Partners' \$13.6 billion acquisition of Alpha in October 2023.

Global Deal Analytics

Of the 113 deals in Q4, North America was the most active market with 49 completed transactions, followed by Europe with 45. One notable deal in the European market was Mayfair Equity Partners' \$100.0 million buyout of TrustedHouseSitters, a London-based operator of a pet-sitting platform, in December 2023. All other regions combined for a total of 19 completed transactions.



Canada: 4

United States Regions: 45

Great Lakes: 9

Southeast: 8

West Coast: 7

Mid Atlantic: 7

Mountain: 5

Other: 9

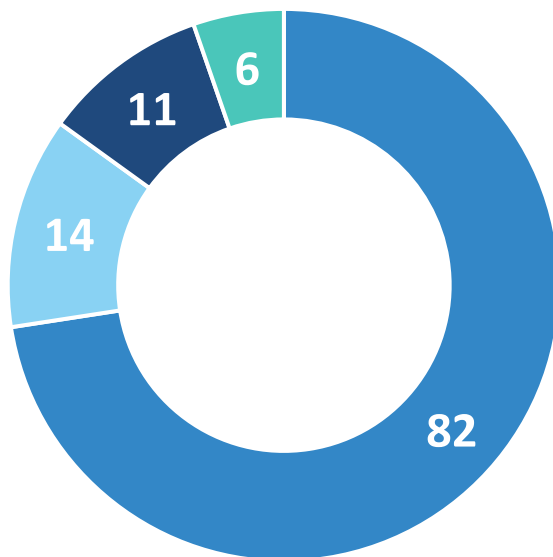
In the North American market, the Great Lakes region was the most active in Q4 with 9 deals, followed by the Southeast which saw 8 deals close. A notable deal in the Great Lakes region was an undisclosed investor's \$55.6 million investment of development capital into Independence Pet Group, a Chicago-based operator of a pet insurance platform, in October 2023. The West Coast and Mid Atlantic regions both had 7 closed transactions and were followed by the Mountain region which reported 5 deals. All other regions combined for 9 total transactions.

Outside of the U.S. in the North American market, 4 transactions closed in Canada in Q4.

Global Deal Analytics

Of the 113 Pet deals in Q4, 82 were in the Pet Products subsector, making it the most active subsector in the industry from an M&A standpoint. B2B Services was the second most active with 14 deals followed by Veterinary Care Services with 11. All other subsectors combined had a total of 6 closed transactions.

Deals by Subsector



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

  	  	  	  
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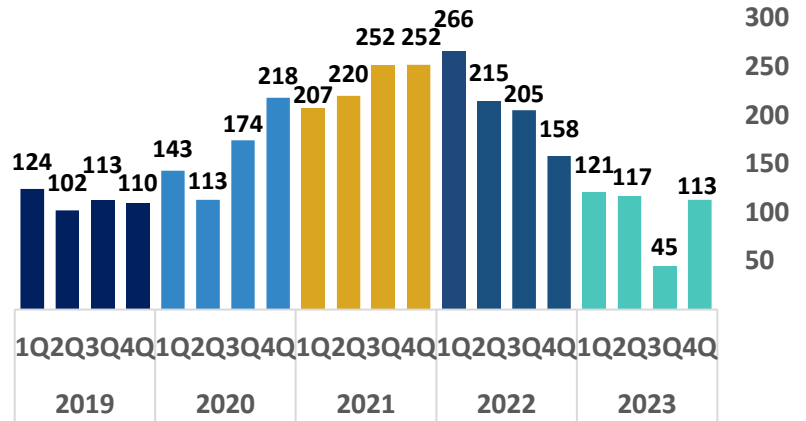
Global Deal Analytics

Deal volume in the Pet sector increased 151.1% in Q4 to 113 deals from 45 in Q3, but decreased 28.5% from 158 deals in Q4 of the prior year. In 2020, a surge in pet adoptions contributed to higher levels of PE interest in the sector. This, along with an overall increase in consumer spending on companion pets, drove increased deal volume. This heightened level of activity in the sector has slowed since a peak in Q1 2022 as valuations became frothy and financing markets have changed. Increased deal volume in Q4 2023 represents a reversal of the trend of generally declining M&A deal volume seen since a peak of 266 deals in Q1 2022.

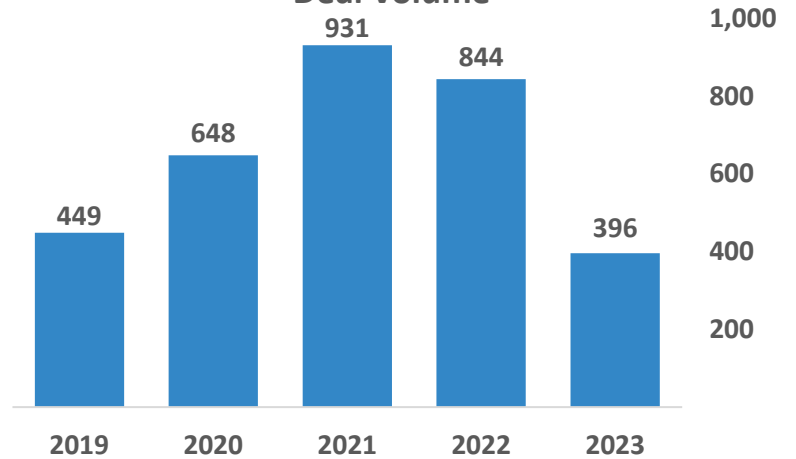
Annual deal volume saw a 53.1% decline to 396 deals in 2023, down significantly from 844 in 2022. We attribute this decline to more challenging market conditions from a dealmaking perspective, including elevated interest rates/cost of capital. These adverse conditions are expected to persist until the Fed begins quantitative easing in the form of interest rate cuts.

Following the trend in quarterly deal volume, total capital invested in M&A deals in the Pet sector increased 3475.0% in Q4 to \$14.3B from \$0.4B in Q2 and increased 232.6% from \$4.3B in Q4 of the prior year. This significant increase in total capital invested is due to was PAI Partners' \$13.6 billion acquisition of Alpha in October 2023.

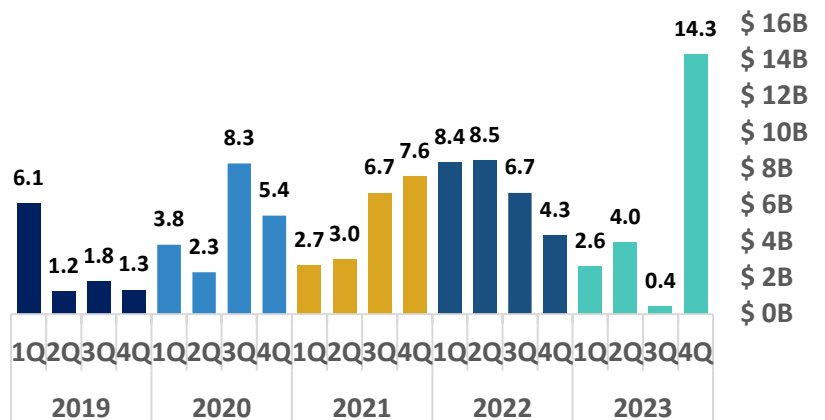
Deal Volume



Deal Volume



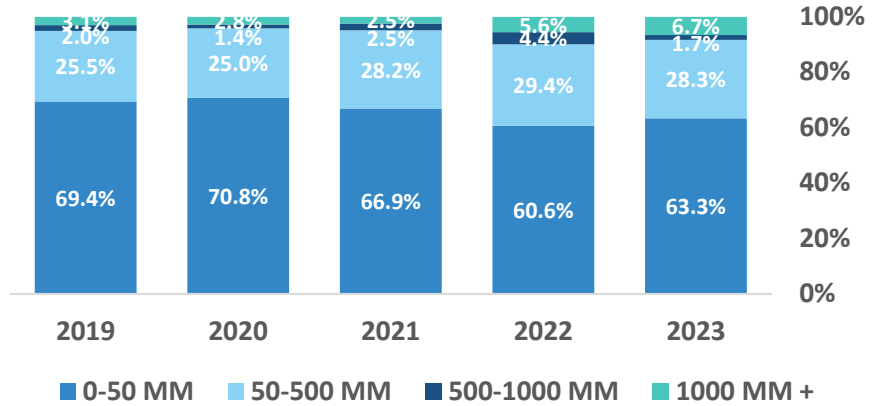
Total Capital Invested



Global Deal Analytics

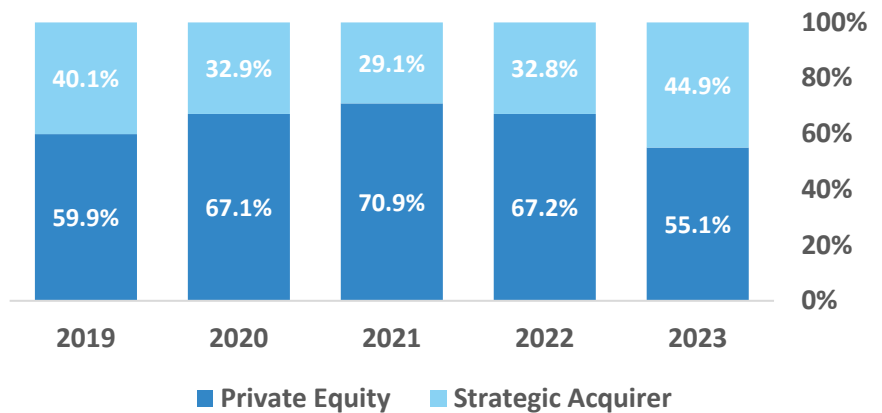
In 2023 we saw a shift toward the lower middle (\$0 - \$50 MM) and large cap (\$1000 MM+) tranches of the market which increased to 63.3% and 6.7% from 60.6% and 5.6%, respectively, in 2022. The middle market (\$50 - \$500 MM) share declined to 28.3% from 29.4% in 2022 while the upper middle (\$500 - \$1000 MM) market decreased to 1.7% from 4.4% over the same period.

Deal Volume by Deal Size



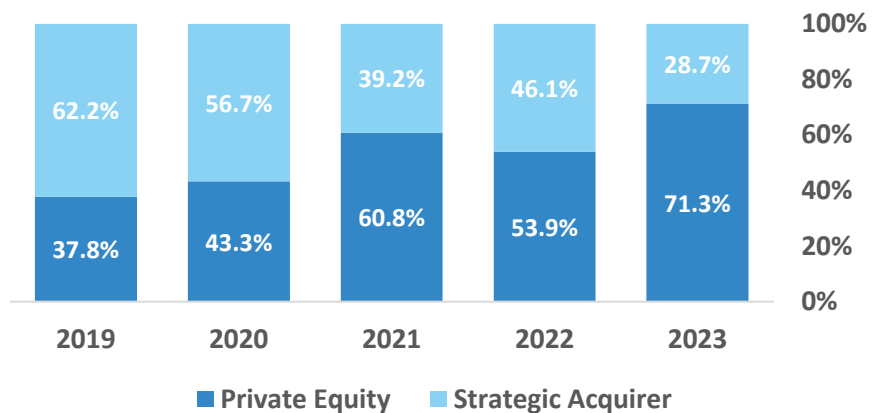
As a % of total deal volume, PE buyers trended significantly lower in 2023 relative to strategic buyers, representing 55.1% of deal volume in the sector. 2023 marks the lowest percentage of PE deal volume over the last 5 years.

Deal Volume by Acquirer



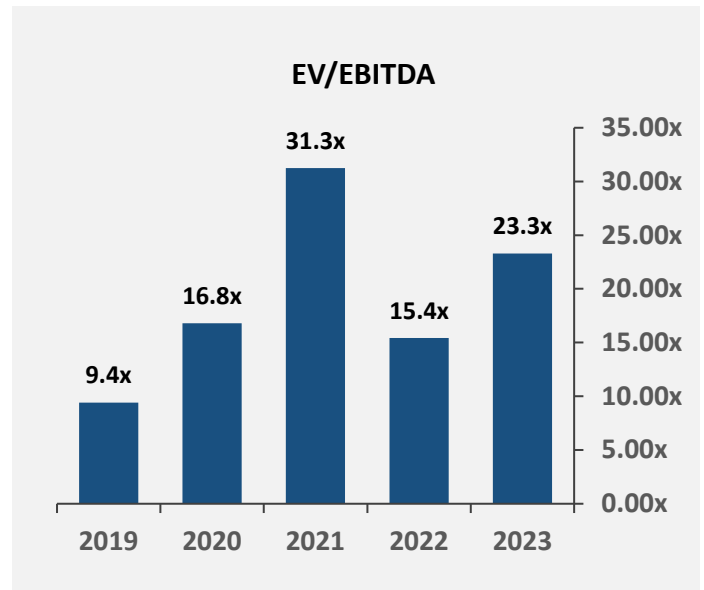
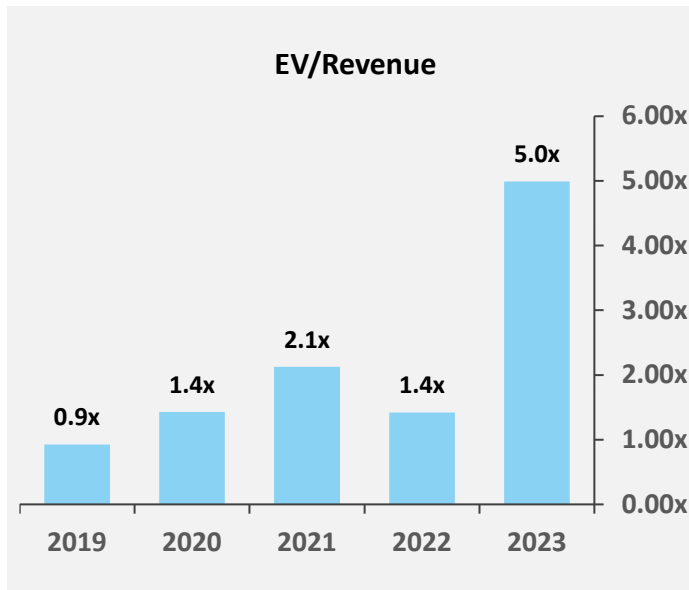
Contrary to the trend in deal volume, PE share of total capital invested in M&A deals increased significantly in 2023 to 71.3%, up from 53.9% in 2022, marking its highest level in the past five years. The significant increase in total capital invested by PE buyers can be attributed primarily to PE firm PAI Partners' \$13.6 billion acquisition of Alphaia in 2023. This acquisition skewed the PE percentage higher than usual.

Total Capital Invested by Acquirer

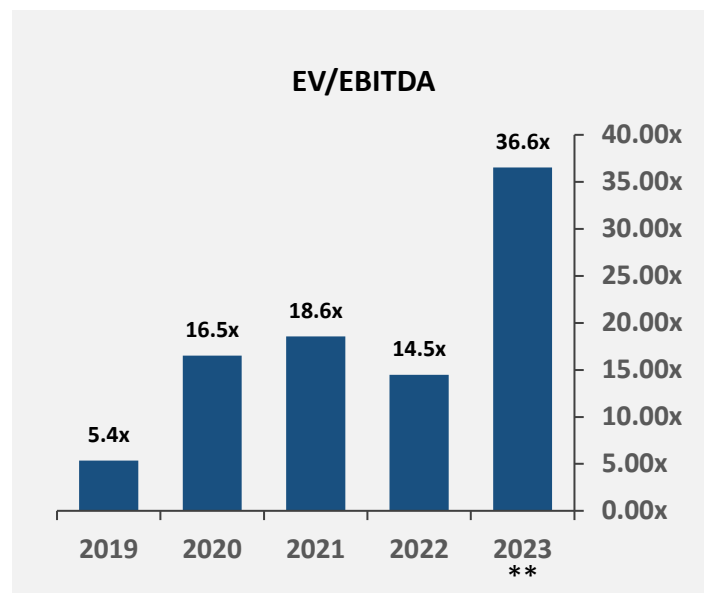
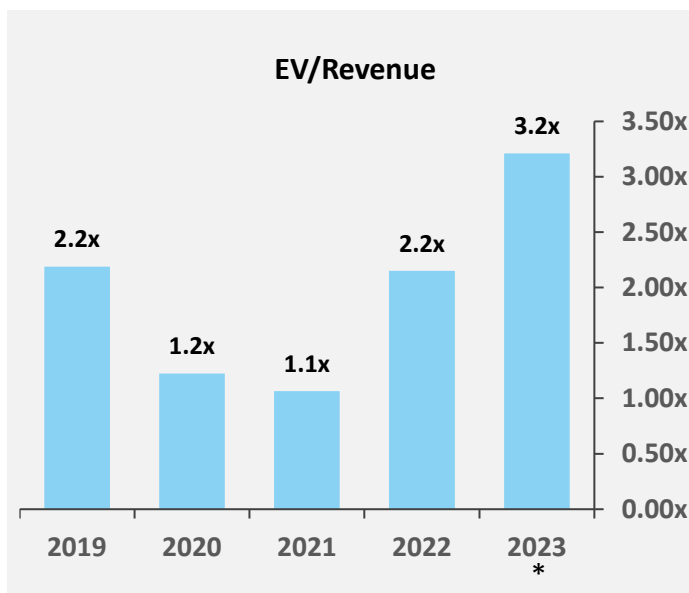


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* EV/Revenue multiple excludes outliers.

** EV/EBITDA multiple excludes outliers.

Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
28-Dec-2023	Donostivet	Oaktree Capital Management	Buyout/ LBO	\$ 5.5			Operator of a veterinary hospital.
18-Dec-2023	Redbank Poultry	Tasfoods	Merger/ Acquisition	1.6			Provider of animal husbandry services based in Meunna, Australia.
18-Dec-2023	TrustedHousesitters	Mayfair Equity Partners	Buyout/ LBO	100.0			Operator of a house and pet sitting platform intended to connect pet owners and pet sitters worldwide.
13-Dec-2023	Green Vet	GC Biopharma	Merger/ Acquisition	3.8	1.25x ²	12.52x ¹	Provider of veterinary services intended to promote a healthy life for companion animals.
01-Dec-2023	Perfection Pet Foods	Post Holdings	Merger/ Acquisition	235.0			Provider of pet food contract manufacturing services, catering to retailers and brand owners.
14-Nov-2023	Pet Products Trading Company	Aliph Capital	PE Growth/ Expansion	21.2			Distributor of pet products across Saudi Arabia.
14-Nov-2023	PetDesk	Apax Digital Growth, Frontier Growth, PeakSpan Capital	PE Growth/ Expansion	100.0	15.63x ²	156.25x ^{1,3}	Developer of a pet care communication platform intended to connect pet parents with care providers.
31-Oct-2023	Independence Pet Group	Undisclosed Investor	PE Growth/ Expansion	55.6	0.23x ²	2.29x ¹	Operator of a pet insurance platform company.
17-Oct-2023	Bond Vet	Lukas Keindl	PE Growth/ Expansion	50.0			Operator of a chain of veterinary clinics.
05-Oct-2023	PatiWe	Kidolog	Merger/ Acquisition	61.6			Provider of a pet walker service based in London, United Kingdom.
02-Oct-2023	Alphia	PAI Partners	Buyout/ LBO	13,600.0			Manufacturer of pet foods and treats.
01-Oct-2023	Protix	Tyson Foods	Corporate	64.1	6.59x ²	65.93x ¹	Producer of insect proteins and lipids intended to feed animals.
Mean				1,191.5	5.92x	26.91x	
Median				58.6	3.92x	39.23x	
High				13,600.0	15.63x	156.25x	
Low				1.6	0.23x	2.29x	

¹ EBITDA multiple calculated assuming a 10% EBITDA Margin.

² Revenue multiple calculated using most recently reported revenue.

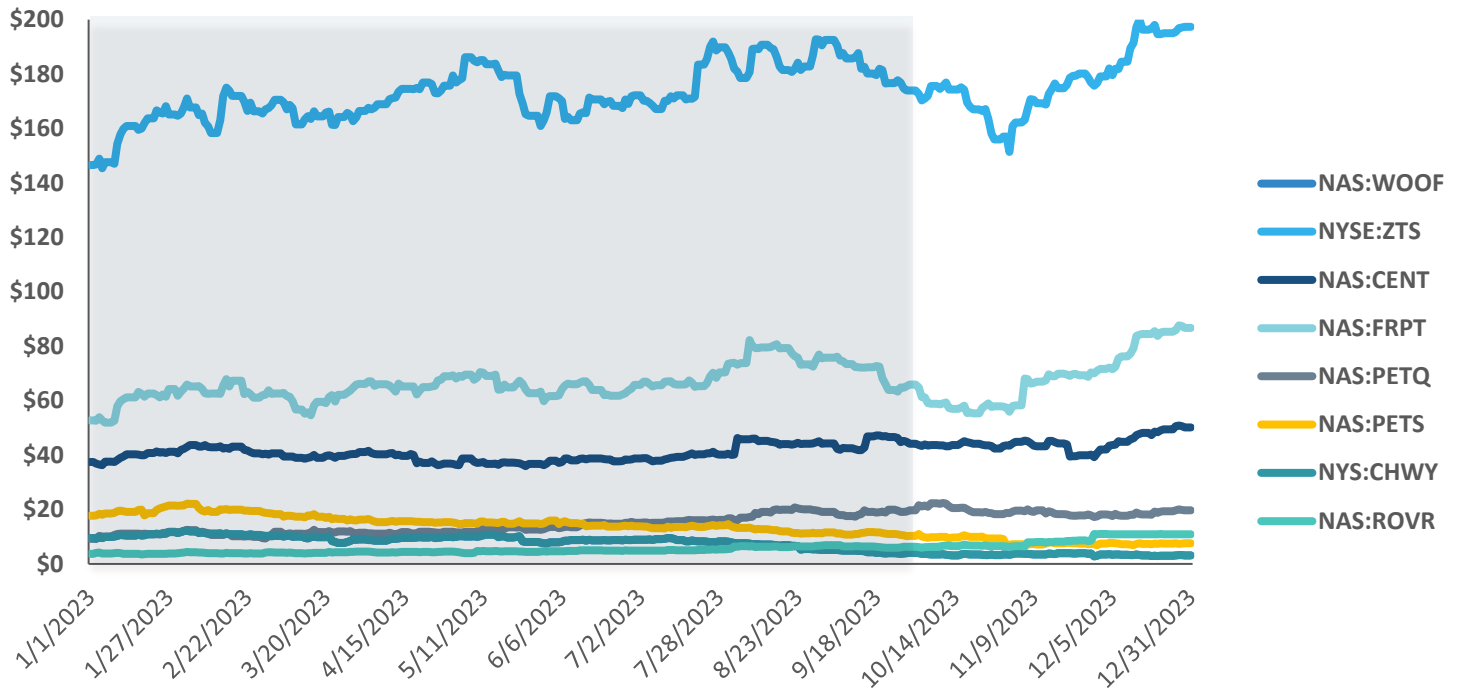
³ EBITDA multiple excluded from mean EV/EBITDA calculation.

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>Alpha, a Denver-based manufacturer of dry pet foods and treats, was acquired by PAI Partners through a \$13.6 billion LBO in October 2023. With the Alpha acquisition, PAI Partners significantly expands its pet food and contract manufacturing portfolio which includes Royal Canin, Provimi, Diana Pet Food and Refresco.</p>	<p>LBO</p>
 	<p>PetDesk, a California-based developer of a pet care communication platform, received \$100 million of development capital from Apax Partners, PeakSpan Capital and Frontier Growth in November 2023. The investment will allow PetDesk to accelerate its R&D investments to bring additional product enhancements to customers.</p>	<p>PE Growth / Expansion</p>
 	<p>PatiWe, a London-based developer of an AI-powered mobile application for pet walking, veterinarian, and training services, was acquired by Kidolog for \$61.6 million in October 2023. Through the acquisition, Kidolog advances its mission of creating a holistic family technologies company and aims to capitalize on the growing trend of the humanization of pets.</p>	<p>Merger / Acquisition</p>
 	<p>TrustedHousesitters, a London-based operator of a house and pet sitting platform, was acquired by Mayfair Equity Partners through a \$100.0 million LBO in December 2023. Through this acquisition, Mayfair Equity Partners further expands its consumer technology portfolio which includes companies such as Yieldstreet and atHomegroup.</p>	<p>LBO</p>

Public Comps

Stock Price



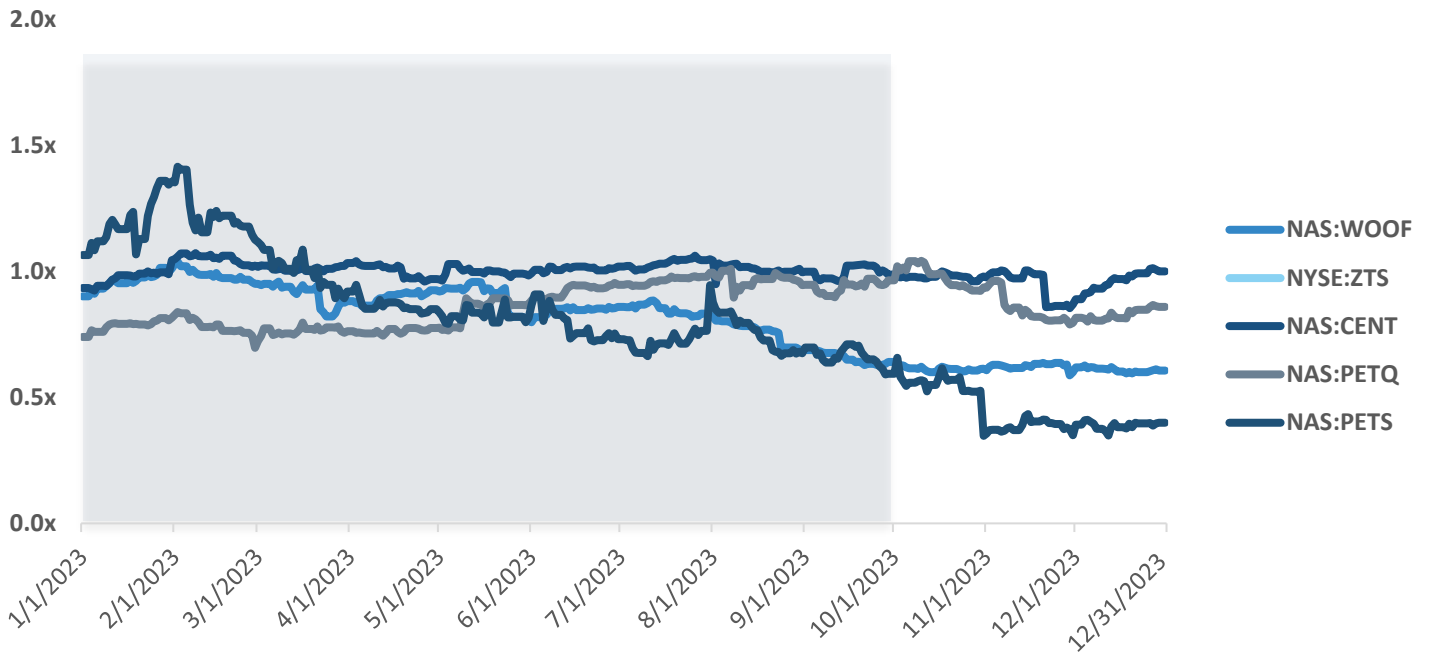
Financial & Valuation

\$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	3	848	3,035	1.4x	0.9x	0.6x	17.9x	14.3x	10.0x
	Zoetis	NYSE:ZTS	197	90,615	6,745	15.6x	9.1x	10.4x	38.8x	22.5x	24.1x
	Central Garden & Pet	NASDAQ:CENT	50	2,427	1,374	1.1x	0.9x	1.0x	11.0x	9.3x	10.2x
	Chewy	NYS:CHWY	24	10,194	527	2.8x	1.6x	0.8x	393.1x	285.0x	24.0x
	Rover Group	NAS:ROVR	11	1,963	23	17.0x	2.9x	6.4x	N/A	25.4x	28.4x
	Freshpet	NAS:FRPT	87	4,184	425	10.1x	4.3x	4.5x	464.1x	N/A	42.7x
	PetIQ	NAS:PETQ	20	576	464	1.2x	0.7x	0.8x	21.6x	65.6x	8.2x
	Petmed Express	NAS:PETS	8	160	2	1.5x	1.1x	0.3x	12.1x	12.2x	5.7x

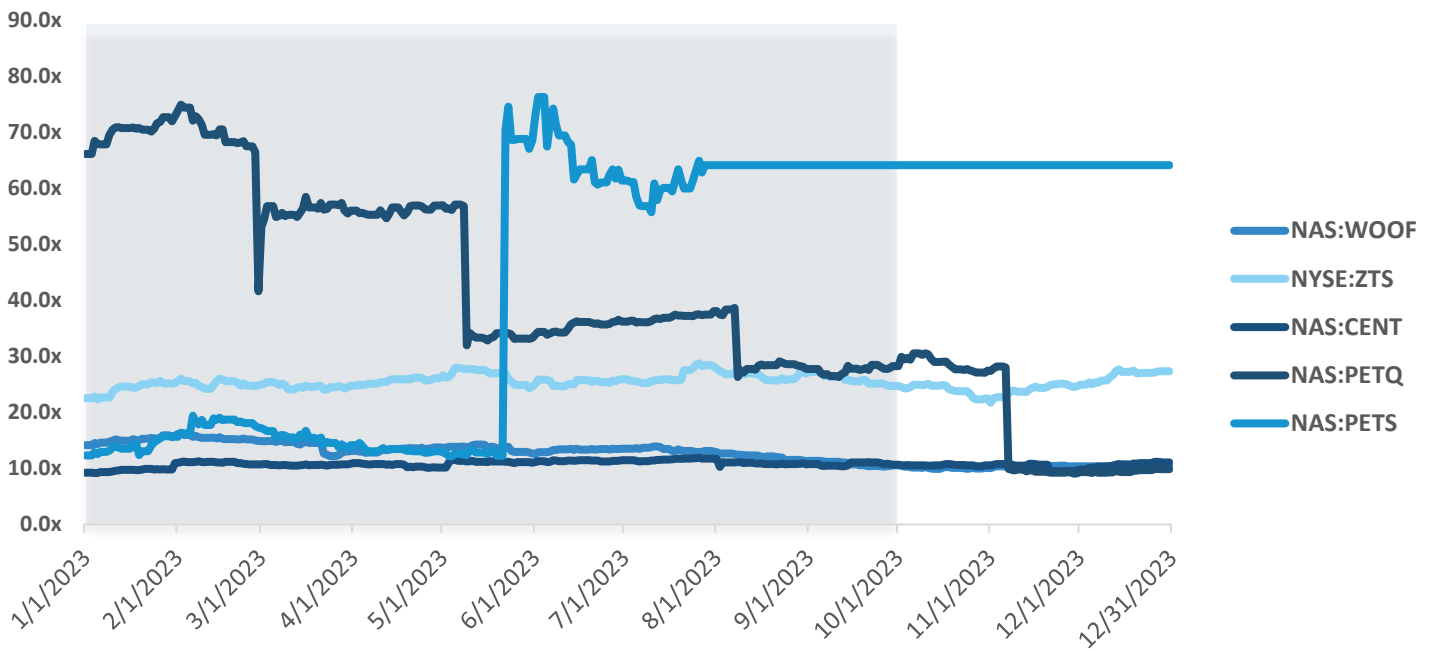
Mean						6.3x	2.7x	3.1x	137.0x	62.1x	19.1x
Median						2.2x	1.3x	0.9x	21.6x	22.5x	17.1x

Public Comps

EV/Revenue



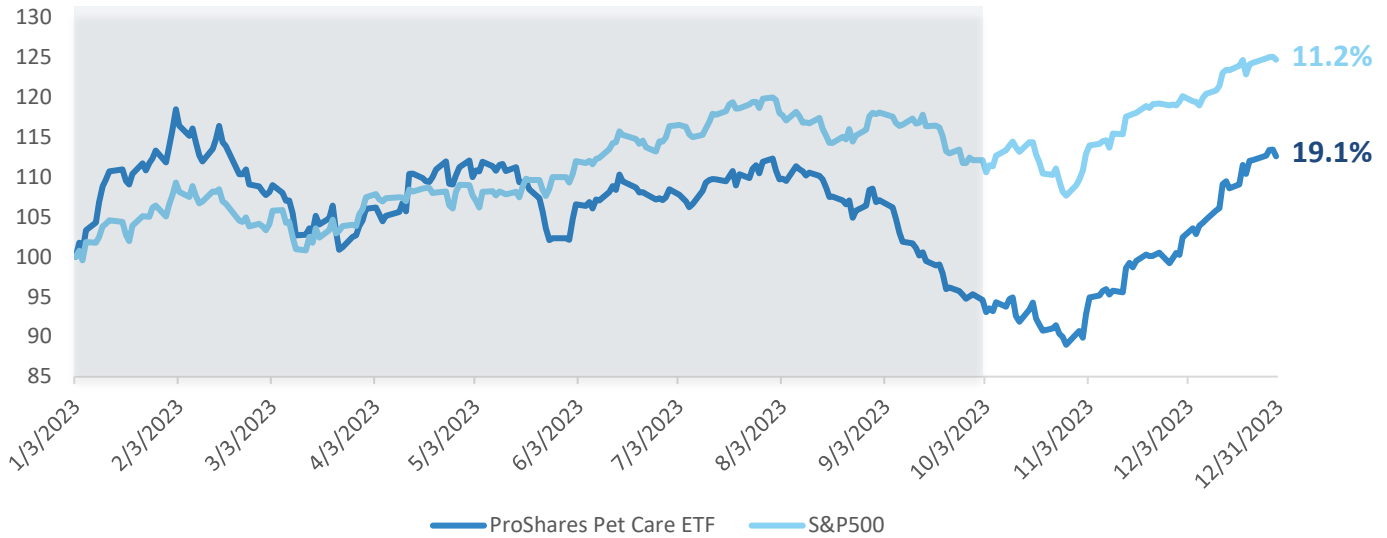
EV/EBITDA



Public Markets

Index Performance

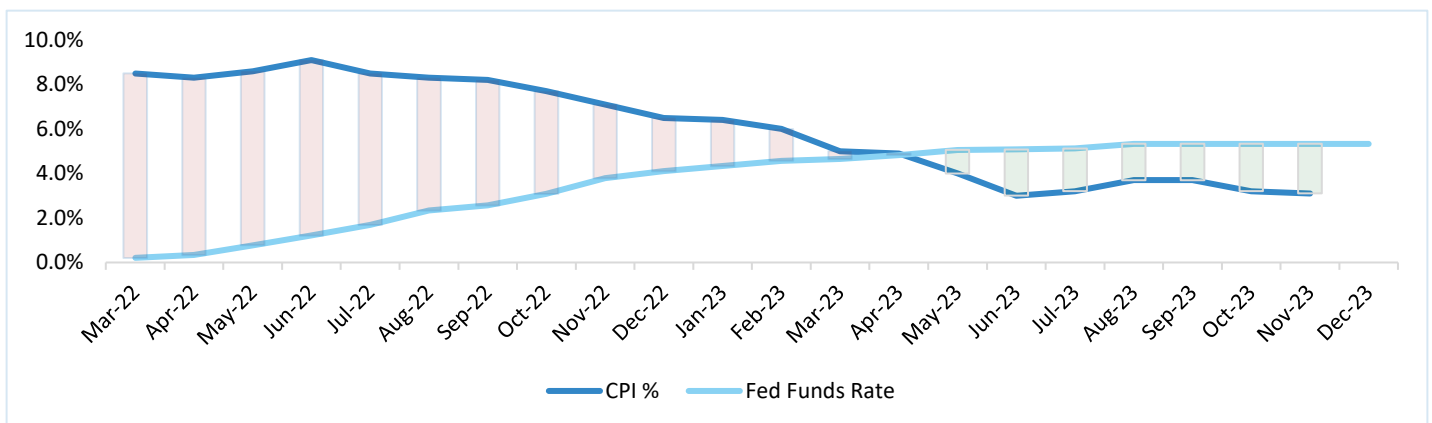
In Q4, the ProShares Pawz Pet Care ETF increased 19.1% and outperformed the S&P 500, which increased 11.2% over the same period.



Key External Drivers

The Pet industry is dependent upon consumer discretionary spending and as a result, tends to be more sensitive than other industries to downturns in the economy. Having said that, spending on pets is one of the more difficult things for consumers to sacrifice as human attachment to their pets continues to grow.

The Federal Reserve is anticipated to implement a series of rate cuts in 2024, with policymakers considering three cuts, reducing the fed funds rate from 5.25%-5.5% to 4.5%-4.75%. However, market expectations suggest the possibility of six quarter-point cuts, bringing the rate to 3.75%-4%. This projection has fueled a late 2023 stock market rally. Despite these anticipated cuts, the federal funds rate could still be restrictive in 2024. Additionally, the Federal Reserve plans to continue quantitative tightening by gradually reducing its holdings of Treasuries and mortgage-backed assets. Rate cuts are anticipated to increase M&A activity in the sector by lowering the cost of capital required to finance acquisitions.

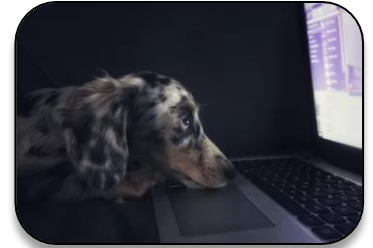


Industry Trends

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 Fresh Pet and 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, illustrative of 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.



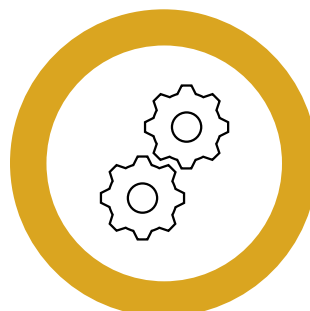
Buy-Side Advisory: Buy a business

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 relevant transactions in the Pet sector. 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





has been acquired by

Our Team



R. Trevor Hulett, CPA
Managing Director
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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
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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



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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
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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.



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