



Pet Industry M&A Update – Q1 2024



Pet Industry M&A Update

Q1 2024

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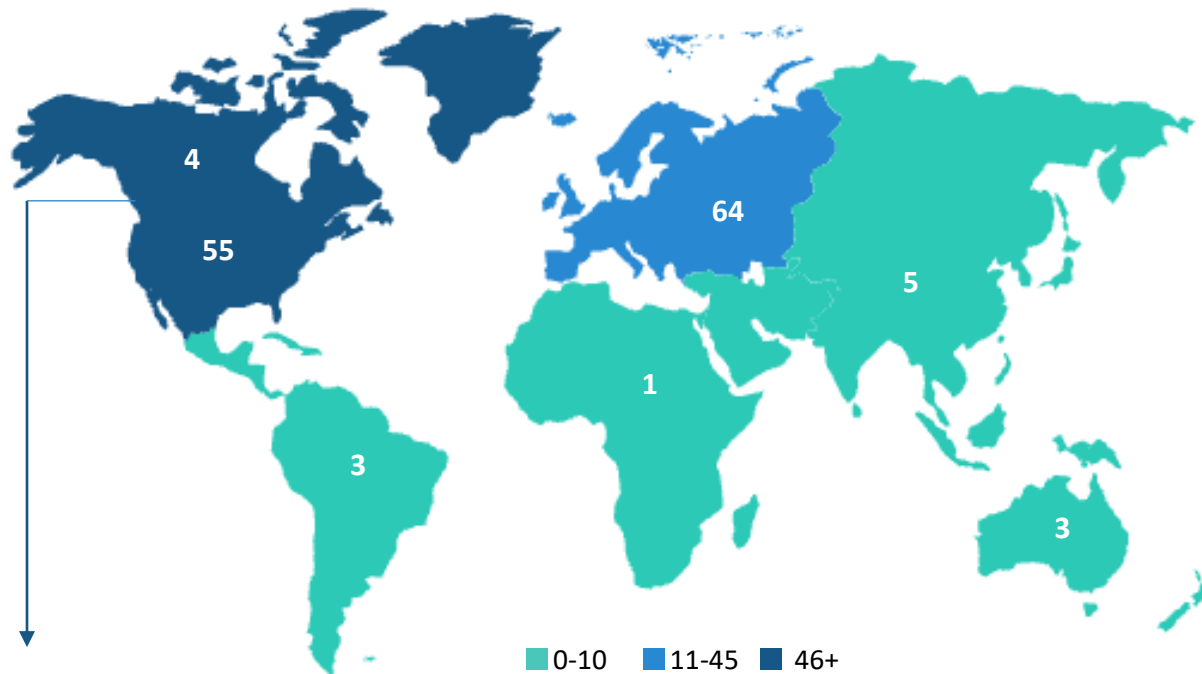
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REPORT HIGHLIGHTS

- The ProShares Pawz Pet Care ETF decreased 4.7% in Q1 and was outperformed by the S&P 500 index, which increased 10.8% over the same period.
- The median EV/EBITDA multiple for reported PE deals was 17.9x in 2024, down from 23.3x in 2023, and decreased for strategic deals to 11.9x in 2024 from 36.6x in 2023.
- M&A deal volume increased 19.5% in Q1 to 135 deals from 113 in Q4, and increased 11.6% from 121 deals in Q1 of the prior year.
- As a % of total deal volume, PE buyers trended higher in Q1 relative to strategic buyers, representing 63.0% of deal volume in the sector, up from 55.1% in 2023.
- Europe was the most active region in Q1 with 64 closed transactions. Most notably in the European market was EQT's \$5.7 billion acquisition of Dechra Pharmaceuticals in January 2024.

Global Deal Analytics

Of the 135 deals in Q1, Europe was the most active market with 64 completed transactions, followed by North America with 59. One notable deal in the North American market was Blackstone's \$2.4 billion buyout of Rover Group, a Seattle-based operator of an online marketplace connecting pet owners with pet care providers, in February 2024. All other regions combined for a total of 12 completed transactions.



Canada: 4

United States Regions: 55

Mid Atlantic: 11

Great Lakes: 9

West Coast: 8

Mountain: 8

South: 6

Other: 13

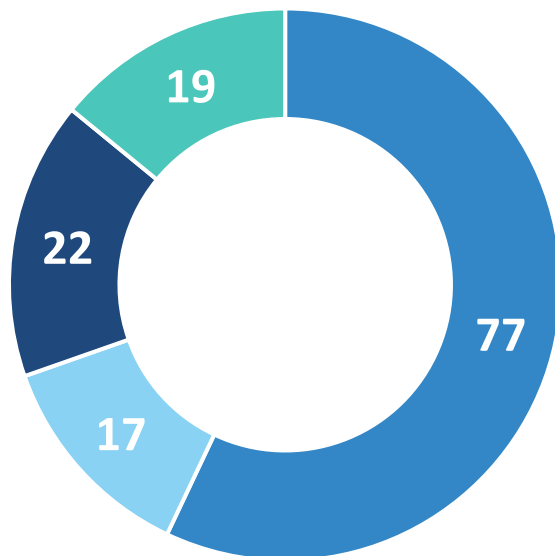
In the North American market, the Mid Atlantic region was the most active in Q1 with 11 deals, followed by the Great Lakes which saw 9 deals close. A notable deal in the Mid Atlantic region was an undisclosed investor's \$10.0 million investment in K9 Resorts Luxury Pet Hotel, a provider of dog daycare services, in March 2024. The West Coast and Mountain regions both had 8 closed transactions and were followed by the South region which reported 6. All other regions combined for 13 total transactions.

Outside of the U.S. in the North American market, 4 transactions closed in Canada in Q1.

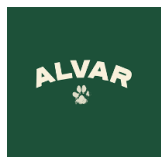
Global Deal Analytics

Of the 135 Pet deals in Q1, 77 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 22 deals followed by B2B Services with 17. All other subsectors combined for a total of 19 closed transactions.

Deals by Subsector



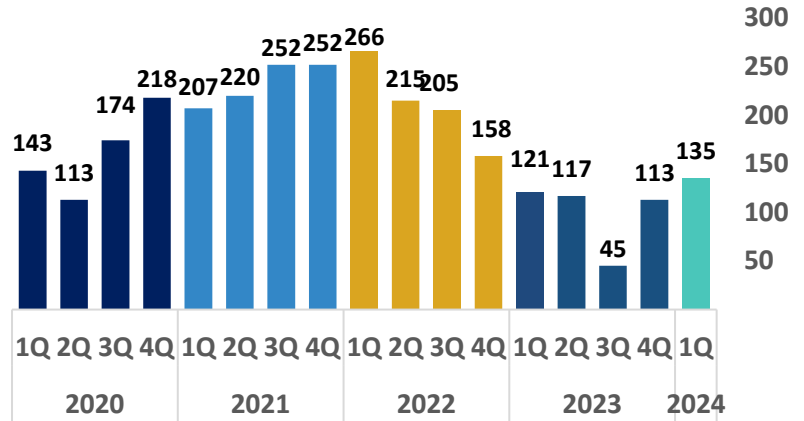
- Pet Products
- B2B Services
- Veterinary Care Services
- Other



Global Deal Analytics

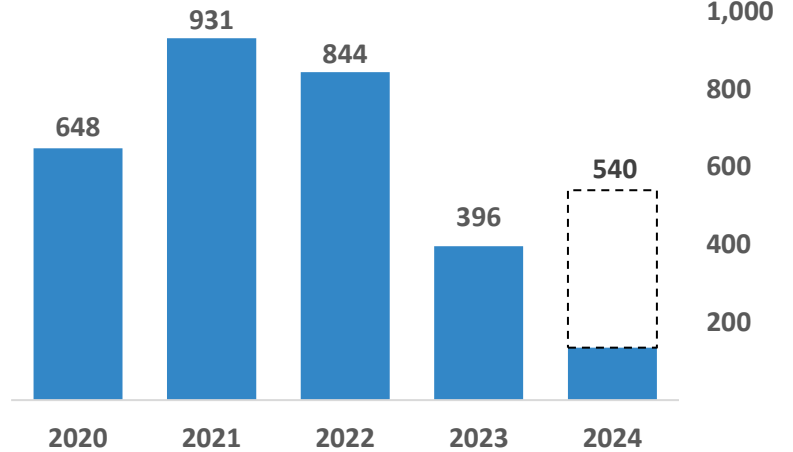
Deal volume in the Pet sector increased 19.5% in Q1 to 135 deals from 113 in Q4, and increased 11.6% from 121 deals in Q1 of the prior year. Volume in Q1 reflects a reversal of the trend of declining deal volume in the Pet industry seen from a peak of 266 deals in Q1 2022 to a low of 45 in Q3 2023.

Deal Volume



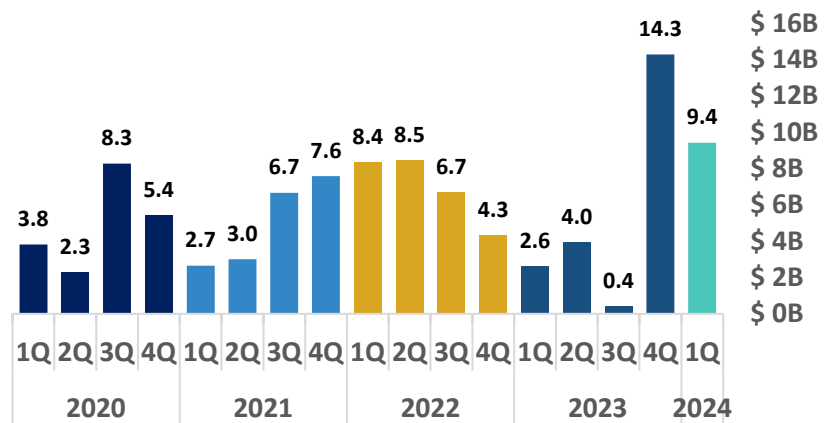
Based on Q1 activity, annual deal volume is projected to increase 36.4% to 540 deals in 2024 from 396 in the prior year. We attribute this increase to the consensus that global macroeconomic conditions are projected to improve slightly in 2024 with gradually rising global GDP and inflation set to fall to 5.8%.

Deal Volume



Total capital invested in M&A deals in the Pet sector decreased 34.3% in Q1 to \$9.4B from \$14.3B in Q4, but increased 261.5% from \$2.6B in the same period of the prior year. The decrease from Q4, in spite of an increase in Q1 deal volume, was largely attributable to a significant shift in mix toward smaller deals in Q1 vs Q4.

Total Capital Invested



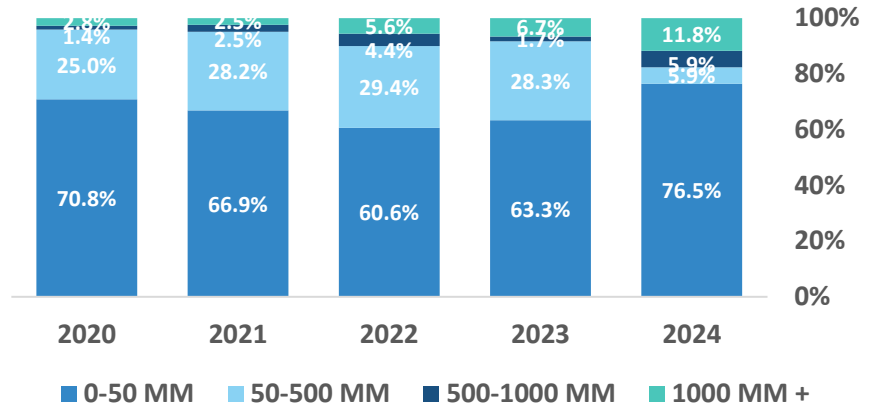
Global Deal Analytics

In Q1, we saw a significant shift towards smaller-sized deals. The lower middle (\$0 - \$50 MM) market increased to 76.5% from 63.3% in the prior year while the large-cap (\$1000 MM+) and upper middle (\$500 - \$1000 MM) tranches of the market increased to 11.8% and 5.9% from 6.7% and 1.7%, respectively, over the same period. The middle market (\$50 - \$500 MM) decreased significantly to 5.9% from 28.3% in the prior year.

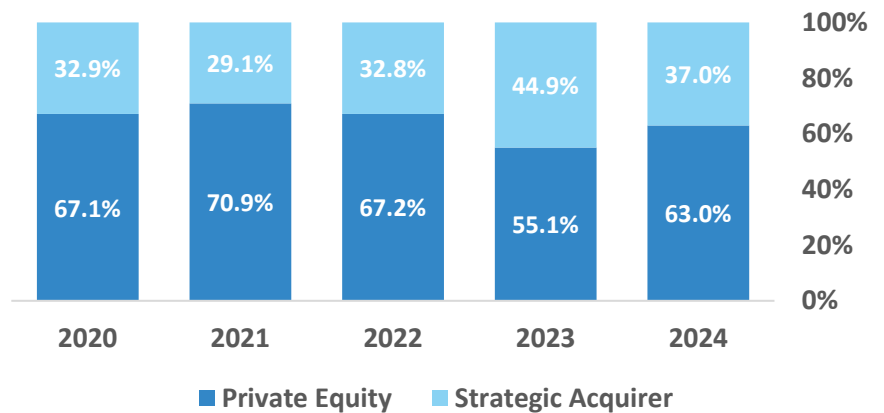
As a % of total deal volume, PE buyers trended higher in Q1, representing 63.0% of deal volume in the sector, up from 55.1% in 2023. Despite an increase from the prior year, Q1 2024 marks the second-lowest percentage of PE deal volume over the last 5 years. This lower level of PE participation is indicative of challenging market dynamics with increasing costs of capital and tightened liquidity markets.

Total capital invested by PE investors (as a % of overall capital invested) increased in Q1 to 89.8% from 71.3% in 2023. This increase is primarily due to EQT’s \$5.7 billion acquisition of Dechra Pharmaceuticals in January 2024.

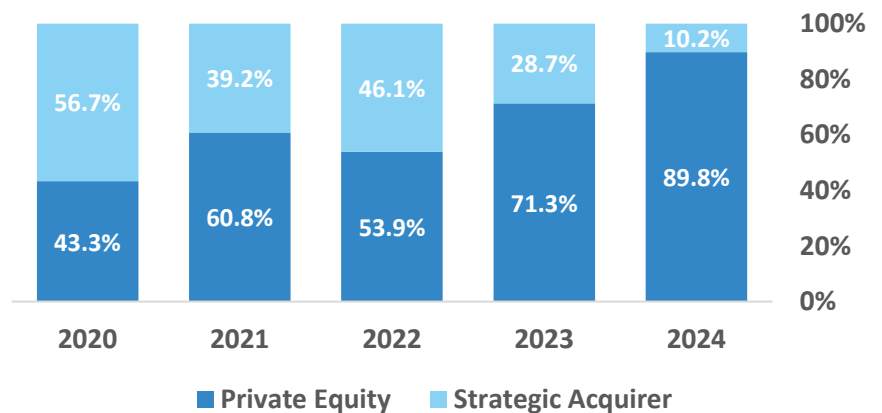
Deal Volume by Deal Size



Deal Volume by Acquirer

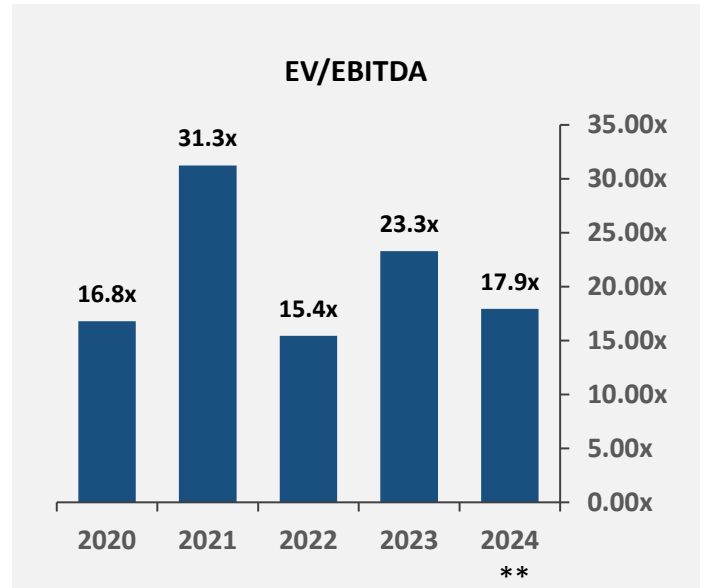
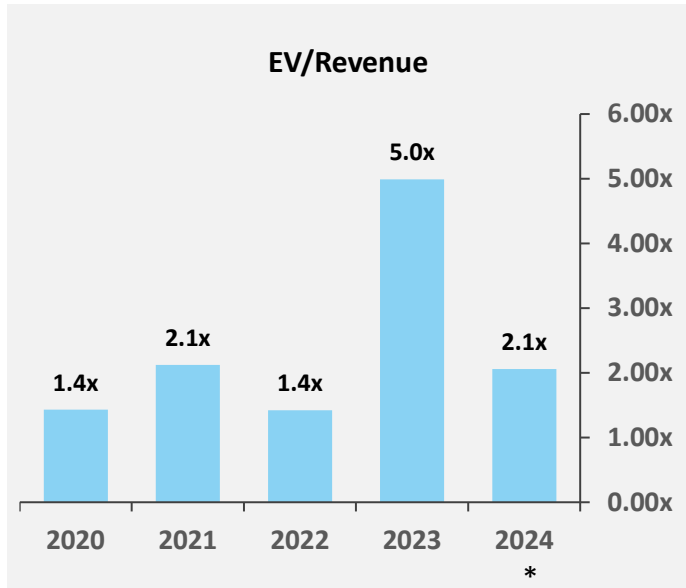


Total Capital Invested by Acquirer

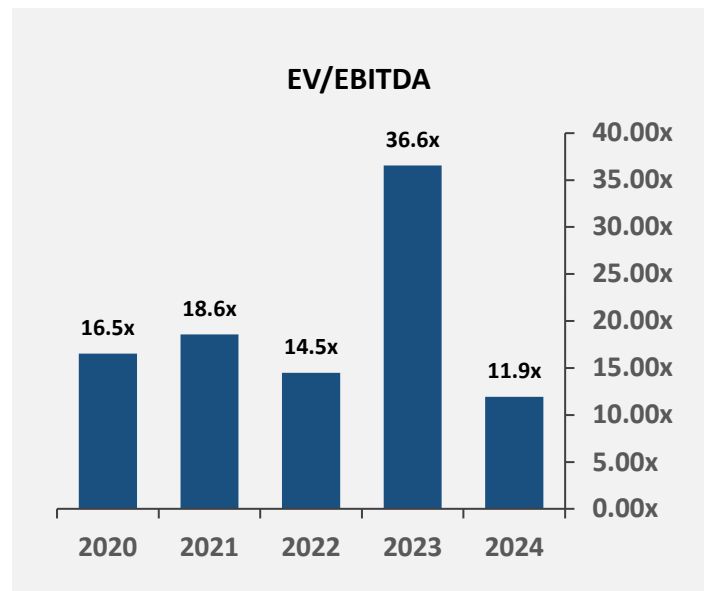
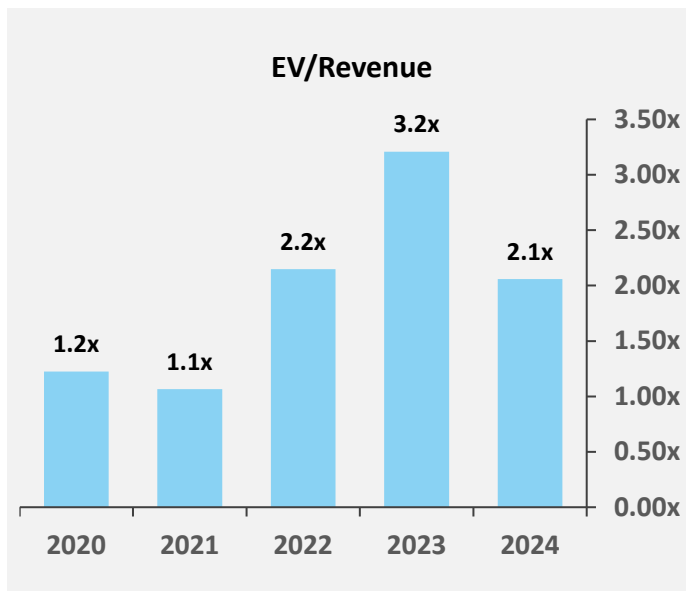


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* EV/Revenue multiple excludes outliers.

** EV/EBITDA multiple excludes outliers.

Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
25-Mar-2024	Axiota Animal Health	Undisclosed Investor	PE Growth/Expansion	\$ 30.1			Manufacturer of animal health products intended for beef and dairy producers.
15-Mar-2024	K9 Resorts Luxury Pet Hotel	Undisclosed Investor	PE Growth/Expansion	10.0			Provider of dog daycare services intended to serve pet owners in the United States.
11-Mar-2024	Musti Group	Flybird Holding	Merger/Acquisition	939.9	2.06x	11.94x	Operator of a leading Nordic pet care specialist offering a variety of pet products.
29-Feb-2024	Sniffers Pet Care	Traditum	PE Growth/Expansion	1.1			Manufacturer of pet products.
28-Feb-2024	Identicare	BG Bidco 21	Buyout/LBO	31.5		17.94x	Supplier of electronic and telecommunications equipment and parts catering to veterinary practices.
28-Feb-2024	Fidelis Animal Health	Undisclosed Investor	PE Growth/Expansion	1.0			Manufacturer of pharmaceutical formulations committed to providing high-quality animal welfare solutions.
27-Feb-2024	Rover Group	Blackstone	Buyout/LBO	2,350.0	9.85x*	143.87x*	Operator of an online marketplace connecting pet owners with pet care providers
22-Feb-2024	Macleay Valley Vet Services	Apiam Animal Health	Merger/Acquisition	2.4			Operator of veterinary clinics intended to serve small pets and cattle.
09-Feb-2024	Aimia Pet Healthco	Better Choice	Merger/Acquisition				Provider of pet healthcare services intended to serve various types of pets.
07-Feb-2024	Chanelle Pharma	Exponent Private Equity	Buyout/LBO	326.3			Manufacturer of medical and veterinary products intended to improve the lives of people and animals.
01-Feb-2024	12 Pharmacy	OHGA Pharmacy	Corporate				Operator of pharmacies intended for veterinary hospitals.
31-Jan-2024	WholesalePet.com	Tiny	Buyout/LBO	9.3			Operator of an e-commerce platform focused on wholesale pet products serving the retail pet channel.
31-Jan-2024	Adora Pet	Undisclosed Investor	Merger/Acquisition	8.1			Provider of pet food services based out in Brazil.
17-Jan-2024	Dechra Pharmaceuticals	EQT	Buyout/LBO	5,669.7			Manufacturer of veterinary pharmaceutical products.
10-Jan-2024	Thunderbrook Equestrian	ForFarmers	Merger/Acquisition	6.7	1.80x		Provider of equine feed and herbal supplement intended to nutritionally aid horses.
09-Jan-2024	Riley's	Pet MD Brands	Merger/Acquisition	7.5	2.34x		Producer of dog food products intended to provide organic diets for pets.
04-Jan-2024	Vetmedis	Alecta Tjänstepension Ömsesidigt	Buyout/LBO	5.5			Operator of a veterinary hospital chain based in Funchal, Portugal.
04-Jan-2024	Piemonte Pet Products	Monge	Merger/Acquisition	1.5			Producer of natural pet food products for dogs and cats.
Mean				587.5	2.07x	14.94x	
Median				8.7	2.06x	14.94x	
High				5,669.7	9.85x	143.87x	
Low				1.0	1.80x	11.94x	

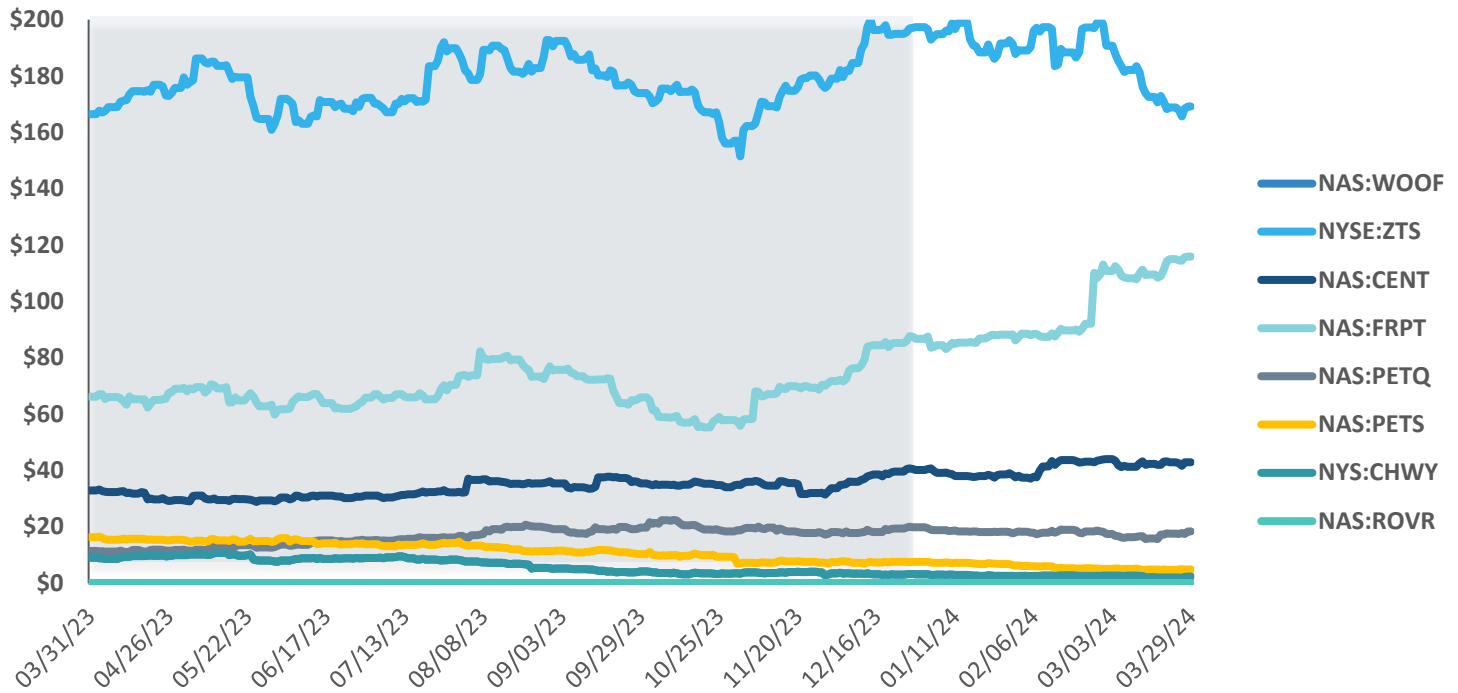
* EV/Revenue and EV/EBITDA multiples excluded from mean and median calculations for being outliers.

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>Dechra Pharmaceuticals, a UK-based manufacturer of veterinary pharmaceuticals, was acquired by EQT, a global PE firm based in Stockholm, through a \$5.7 billion LBO in January 2024. The Dechra acquisition will expand EQT's footprint in the pet sector alongside its current platform investment in the UK-based vet clinic chain, IVC Evidensia.</p>	<p>LBO</p>
 	<p>Rover Group ("Rover"), a Seattle-based online marketplace connecting pet owners with pet care providers, was acquired by Blackstone through a \$2.4 billion LBO in February 2024. The acquisition adds the pet vertical to Blackstone's portfolio and will help Rover expand its global footprint and fuel expansion initiatives.</p>	<p>LBO</p>
 	<p>In March 2024, Flybird Holding acquired Finland-based Musti Group ("Musti"), a leading Nordic pet care specialist offering a variety of pet products, for \$939.9 million. Through this acquisition, Musti will help facilitate Flybird's global growth strategy into new markets through leading companies in high-growth sectors.</p>	<p>Merger/ Acquisition</p>
 	<p>Chanelle Pharma ("Chanelle"), an Ireland-based manufacturer of medical and veterinary products, was acquired by Exponent Private Equity ("EPP") for \$326.3 million in March 2024. The acquisition expands EPP's footprint in Irish-based businesses, which includes investments in Fintrax, Enva, and H&MV Engineering.</p>	<p>LBO</p>

Public Comps

Stock Price



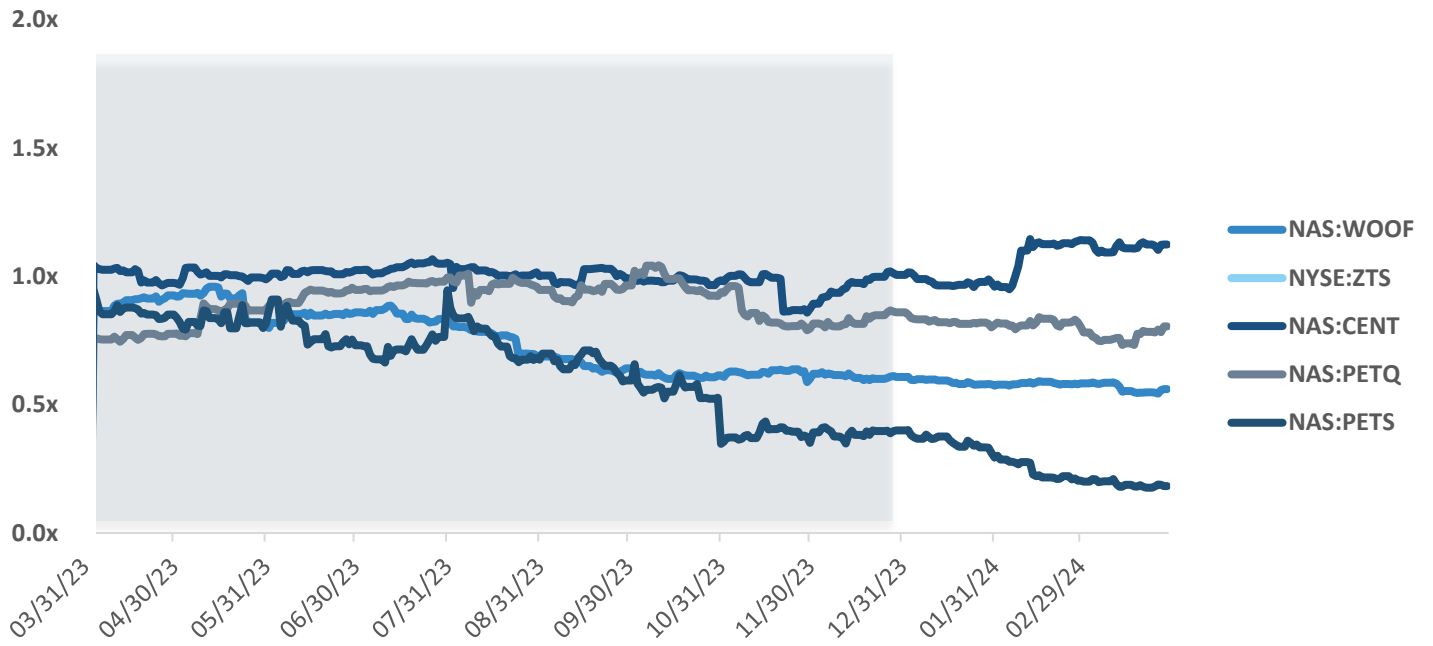
Financial & Valuation

\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA		
						22A	23A	24F	22A	23A	24F
	Petco Health & Wellness Company	NAS:WOOF	2	612	3,035	0.9x	0.6x	0.6x	14.0x	N/A	10.2x
	Zoetis	NYSE:ZTS	169	77,476	6,755	8.9x	11.3x	9.0x	22.1x	27.1x	21.0x
	Central Garden & Pet	NASDAQ:CENT	43	2,693	1,377	0.9x	1.0x	1.1x	9.3x	11.2x	11.1x
	Chewy	NYS:CHWY	16	6,920	528	1.5x	0.9x	0.5x	272.6x	109.6x	14.1x
	Freshpet	NAS:FRPT	116	5,595	425	4.1x	5.9x	6.0x	N/A	451.3x	53.9x
	PetIQ	NAS:PETQ	18	534	468	0.7x	0.9x	0.8x	64.4x	9.8x	8.0x
	Petmed Express	NAS:PETS	5	101	2	1.0x	0.4x	0.2x	11.7x	N/A	3.6x

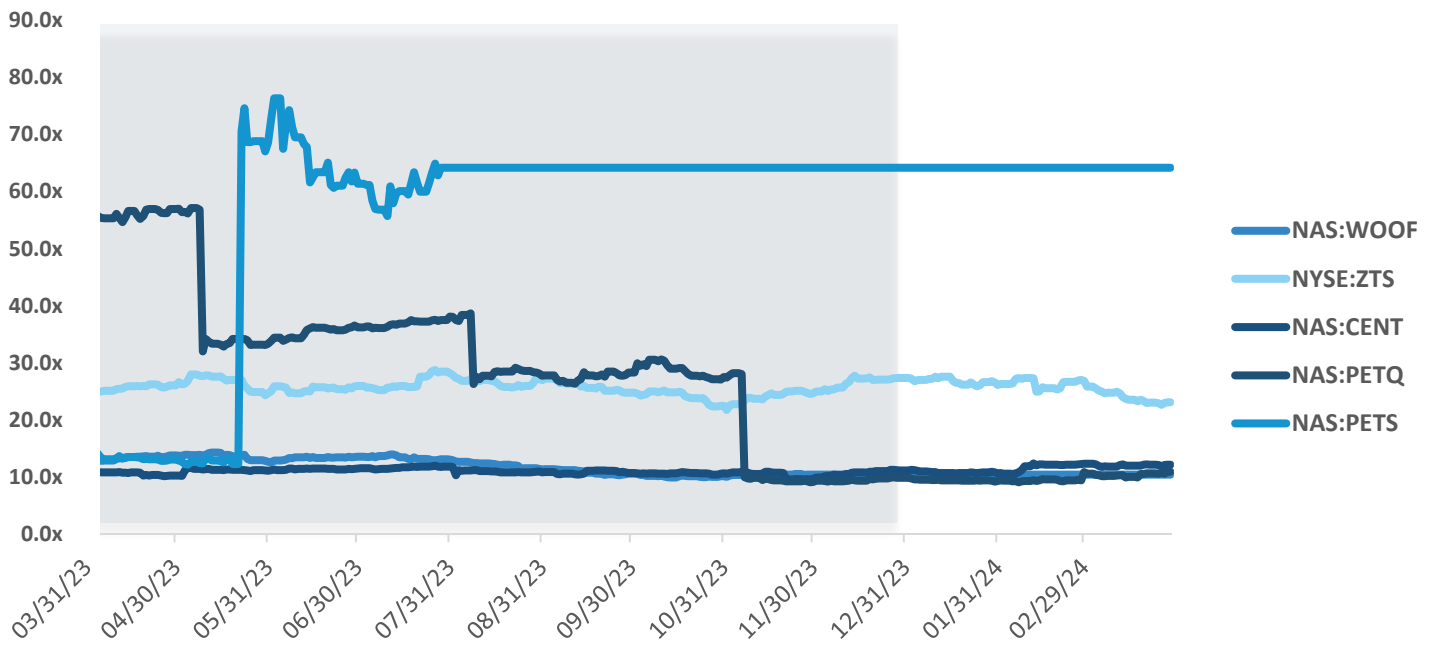
Mean						2.6x	3.0x	2.6x	65.7x	121.8x	17.4x
Median						1.0x	0.9x	0.8x	18.0x	27.1x	11.1x

Public Comps

EV/Revenue



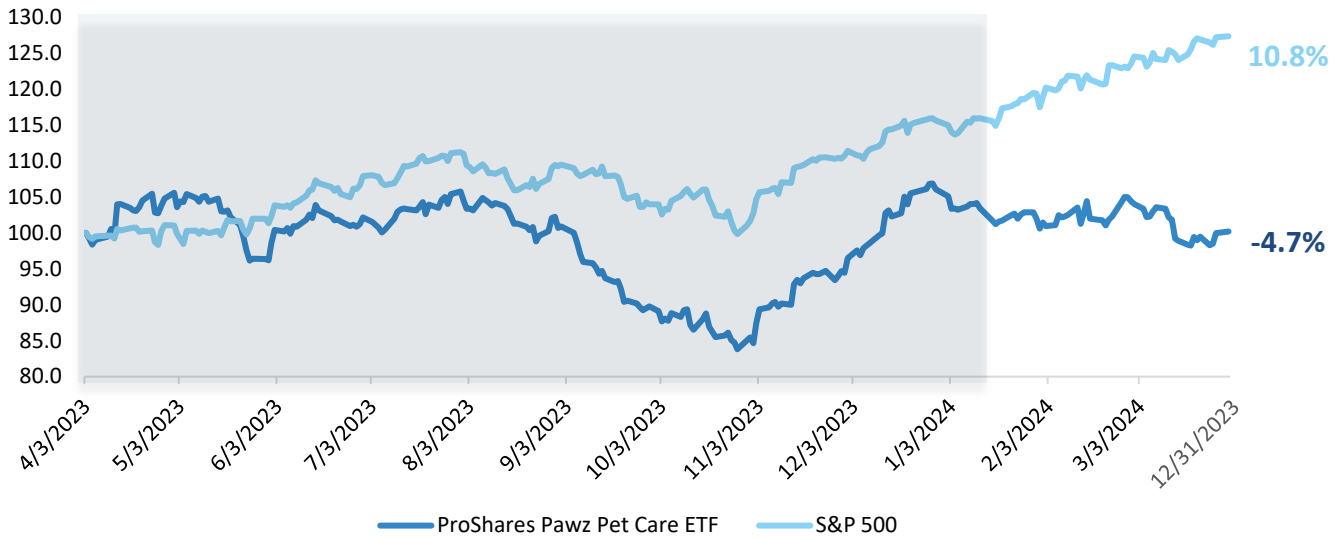
EV/EBITDA



Public Markets

Index Performance

In Q1, the ProShares Pawz Pet Care ETF decreased 4.7% and was outperformed by the S&P 500, which increased 10.8% over the same period.

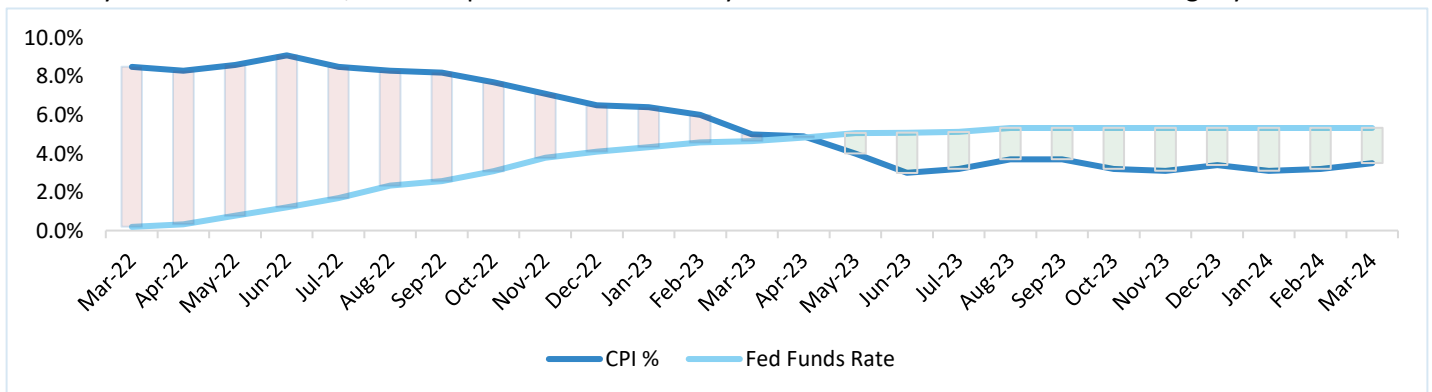


Key External Drivers

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.

Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. In recent months, there has been a lack of further progress toward the Fed’s 2% inflation objective. In response, the Fed decided to keep the federal funds rate target range steady at 5.25%-5.5% until there is greater certainty that inflation will remain stable around 2%.

We attribute the quarterly increase in M&A activity in the Pet sector to the general consensus that the Fed would implement up to 3 rate cuts in 2024. However, this recent decision by the Fed suggests that there will not be any rate cuts this year. For this reason, we anticipate that M&A activity in the Pet sector will remain flat or slightly decline in Q2.



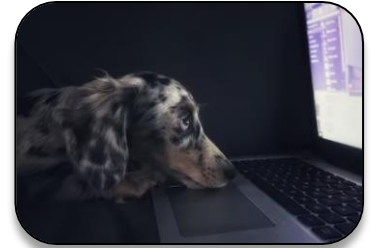
Source: IBISWorld, S&P Global

Industry Trends

Pet Activity Monitor

Rising Demand for Pet Tech Products

The demand for pet monitoring devices has surged in 2024. These devices offer a range of functions, from basic cameras enabling pet owners to remotely monitor their pets to sophisticated software that tracks pet health and provides nutritional recommendations. In 2024, there has been a significant ground swell of startups offering new pet monitoring tech products.



Growth in Urban Pet Ownership

Favoring of "Human-Grade" Pet Food

Paralleling trends in human food, the pet food space has seen a surge in emphasis on health and wellness. Pet owners increasingly gravitate toward healthier, less processed "human-grade" food products for their pets. This tendency is propelled by the growth in pet ownership in urban areas. The demand for premium pet foods is driving a surge in new emerging brand offerings in the human grade pet food space.



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 2023, illustrative of the overall growth of the sector.



Sales Growth in Non-Essential Products

Supplementing Pet Health and Wellness

Non-essential products for pets include both physical products such as vitamins and hygiene products and services including training, walking, and insurance. Both segments have seen significant sales growth. Amazon, for example, has seen an increase in demand for pet spa gift baskets and self-cleaning dog toilets. This is indicative of a broader trend of increasing consumer willingness to spend on non-essential pet products.



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.



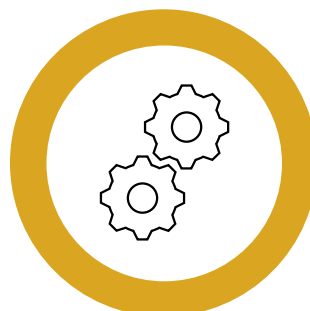
Buy-Side Advisory: Buy a business

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.

 **R. L. Hulett**



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

 **R. L. Hulett**



has been acquired by



 **R. L. Hulett**

Our M&A Deal Leaders



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 M&A Deal Leaders



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 Education & Training, 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 M&A Deal Leaders



Ryan Hartman
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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.



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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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