



Pet Industry M&A Update – Q2 2024



Pet Industry M&A Update

Q2 2024

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Trevor Hulett

Managing Director
thulett@rlhulett.com

Ryan Hartman

Senior Analyst
rhartman@rlhulett.com

Charlie Meier

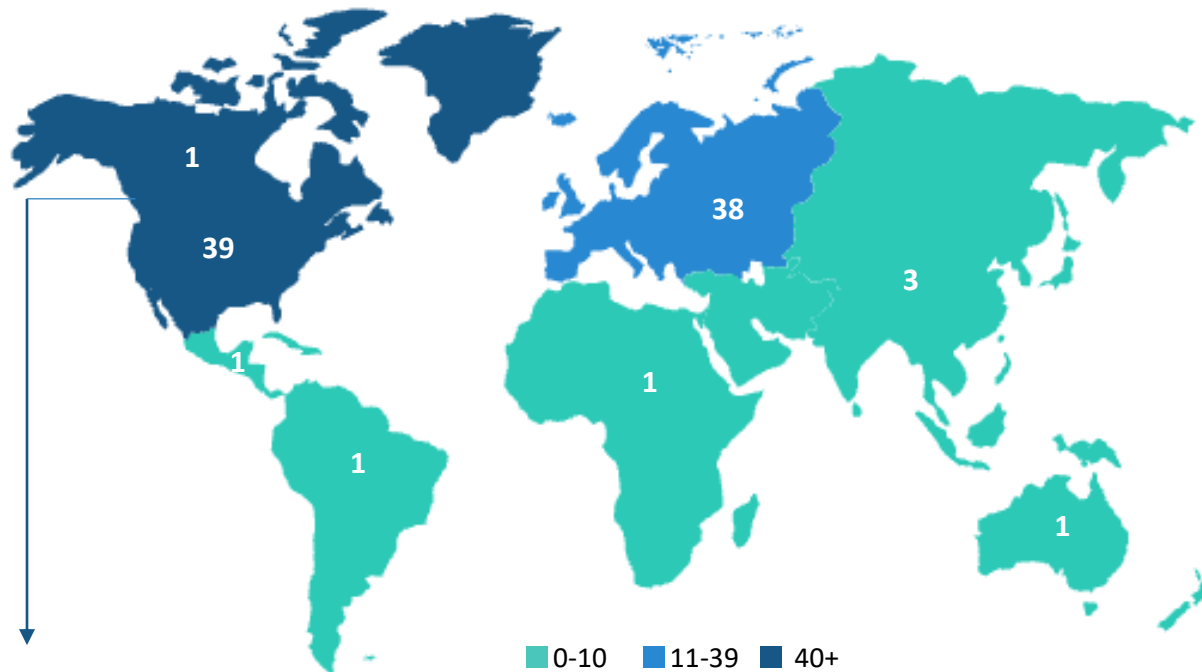
Analyst
cmeier@rlhulett.com

REPORT HIGHLIGHTS

- The ProShares Pawz Pet Care ETF increased by 8.7% and outperformed by the S&P 500, which increased 4.1% over the same period.
- The median EV/EBITDA multiple for reported PE deals declined in 1H 2024 to 17.9x from 23.3x in 2023, and for strategic deals declined to 11.9x in 1H 2024 from 36.6x in 2023.
- M&A deal volume decreased 37.0% in Q2 to 85 deals from 135 in Q1, and decreased 27.4% from 117 deals in Q2 of the prior year.
- As a % of total capital invested in M&A transactions in 2024, PE participation decreased in 1H 2024 to 62.7% from 55.1% in 2023.
- North America was the most active region in Q2 with 40 deals. Most notably in the North American market was Oil Dri Corporation Of America's \$46.0 million acquisition of Ultra Pet Company, a South Carolina-based supplier of silica gel-based crystal cat litter products, in May 2024.

Global Deal Analytics

Of the 85 deals in Q2, North America was the most active market with 40. Another notable North American deal (in addition to the Ultra Pet Company deal mentioned on the previous page) was Guideboat Capital Partners' \$8.0 million acquisition of Scenthound, a Florida-based franchisor providing affordable monthly dog hygiene services, in June 2024. Europe was the second most active region with 38. All other regions combined for a total of 7 deals.



Canada: 1

United States Regions: 39

Southeast: 11

Great Lakes: 6

West Coast: 5

South: 5

Midwest: 3

Other: 9

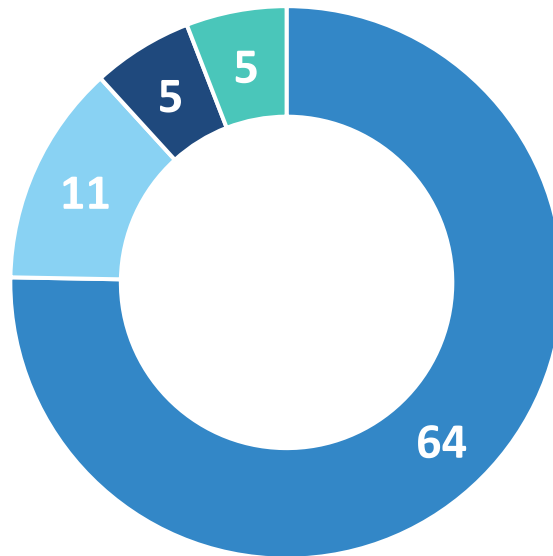
In the North American market, the Southeast was the most active region with 11 deals, followed by the Great Lakes with 6. A notable deal in the Great Lakes region was Leonard Green & Partners' acquisition of MedVet Associates, an Ohio-based chain of veterinary hospitals, in May 2024. The West Coast and South regions each reported 5 transactions. The Midwest had 3 and all other regions totaled 9 closed transactions.

Canada had a relatively inactive quarter with only 1 reported transaction in Q2.

Global Deal Analytics

Of the 85 Pet deals in Q2, 64 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 11 deals followed by Veterinary Care Services with 5. All other subsectors combined for a total of 5 closed transactions.

Deals by Subsector



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



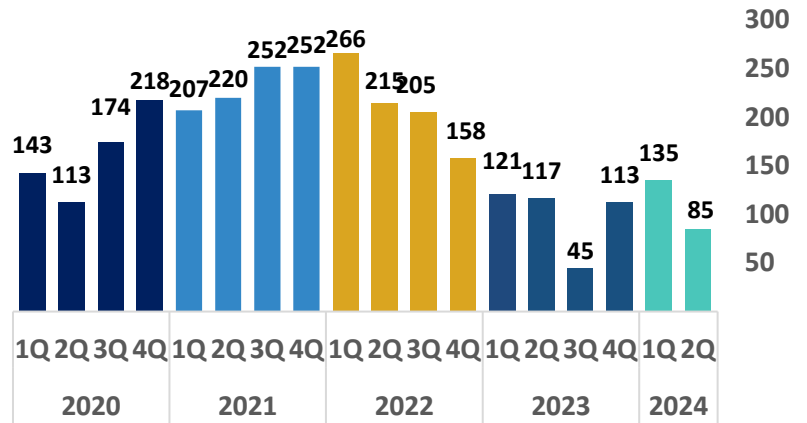
Global Deal Analytics

Deal volume in the Pet sector decreased 37.0% in Q2 to 85 deals from 135 in Q1, and decreased 27.4% from 117 deals in Q2 of the prior year.

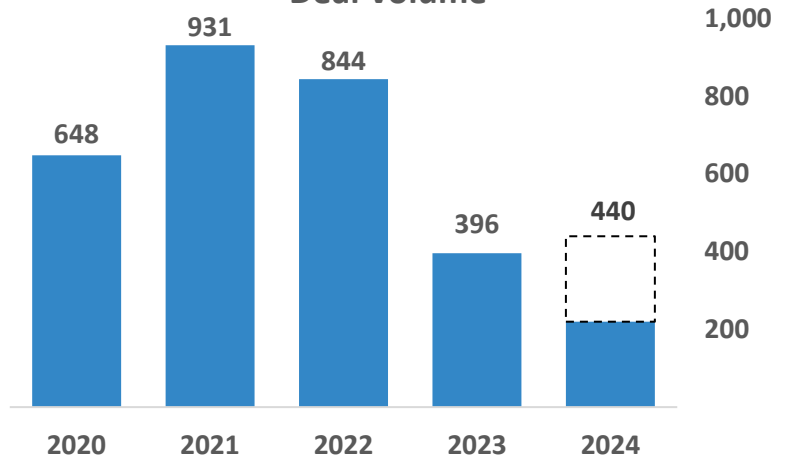
Based on activity through Q2, M&A deal volume is anticipated to increase 11.1% to 440 deals in 2024 from 396 in 2023. We attribute this increase in volume to a shift in mix towards smaller-sized deals as we see continuing challenges in the capital markets driving a tougher deal climate. Having said that, we do anticipate a fed rate cut in the back half of the year which could lead to a more favorable dealmaking environment.

Following the trend in quarterly deal volume, total capital invested in M&A deals in the Pet sector decreased 97.9% in Q2 to \$0.2B from \$9.4B in Q1, and decreased 95.0% from \$4.0B in Q2 of the prior year. Q2 marks the lowest level of capital investment in M&A in over four years and is illustrative of challenging capital markets and a shift in mix toward smaller-sized deals. The significant drop from Q1 is primarily a result of Abu Dhabi Investment Authority’s \$5.7B acquisition of Dechra Pharmaceuticals in January 2024. Comparatively, the largest transaction in Q2 was Admiral Group’s \$146.1MM acquisition of RSA Insurance’s personal lines business in April 2024.

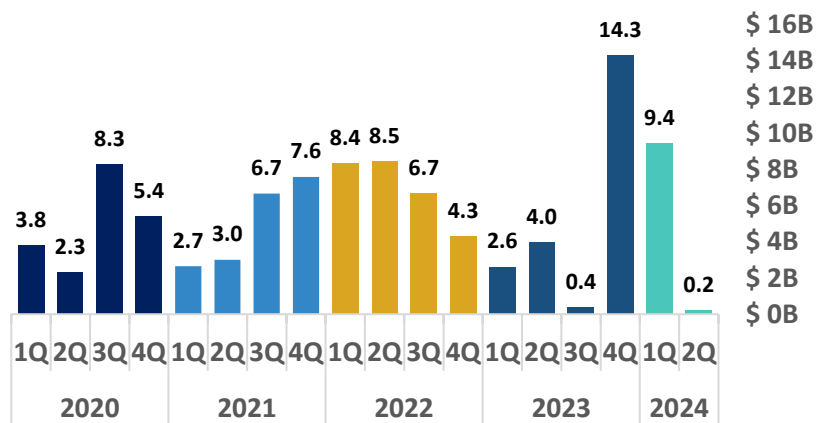
Deal Volume



Deal Volume



Total Capital Invested



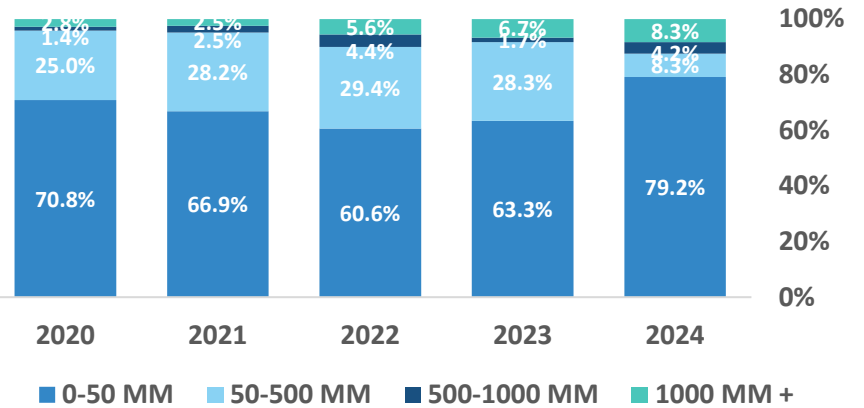
Global Deal Analytics

In general, we saw a shift towards smaller-sized deals in 1H 2024, specifically in the lower middle market (\$0 - \$50 MM), which increased to 79.2% from 63.3% in the prior year. The large cap (\$1000 MM+) and upper middle (\$500 - \$1000 MM) tranches of the market each saw slight increases to 8.3% and 4.2% in 1H from 6.7% and 1.7% in 2023, respectively. The middle market (\$50 - \$500 MM+) decreased significantly to 8.3% from 28.3% in the prior year.

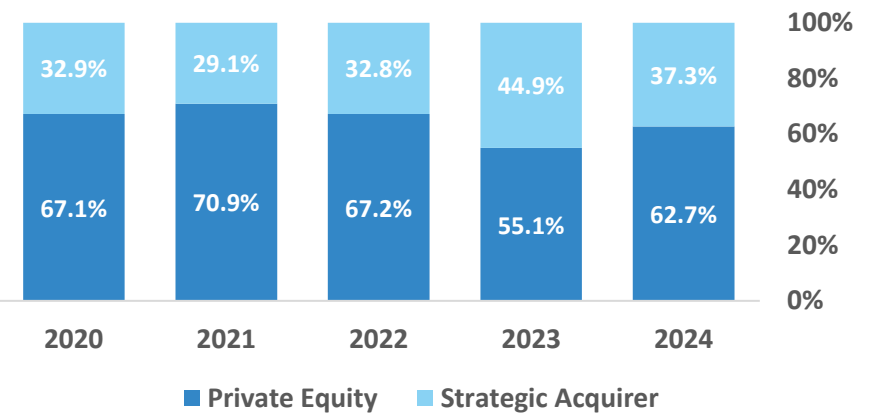
As a % of total deal volume in the sector, PE buyers' share (compared to strategic buyers) increased in 1H 2024 to 62.7% from 55.1% in 2023. Despite the uptick from 2023, 1H 2024 marks the second lowest percentage of PE deal volume in over four years and is indicative of challenging market dynamics with increasing costs of capital and tightened liquidity from lenders.

Following the trend in deal volume, total capital invested by PE investors (as a % of overall capital invested) increased in 1H 2024 to 88.0% from 71.3% in 2023. The uptick in capital invested by PE buyers in 1H is in large part a result of the \$5.7B Dechra Pharmaceuticals deal mentioned on the previous page along with Blackstone's \$2.4B acquisition of Rover Group in February 2024. Comparatively, the largest strategic deal in 1H was Flybird Holding's \$940.0MM acquisition of Musti Group in March.

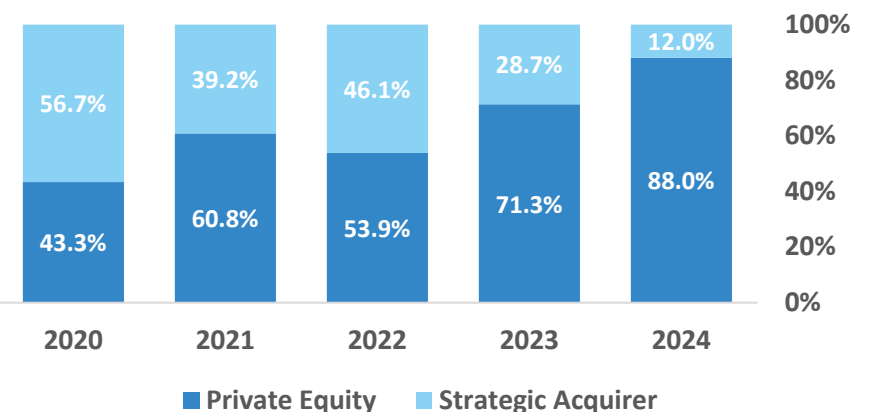
Deal Volume by Deal Size



Deal Volume by Acquirer

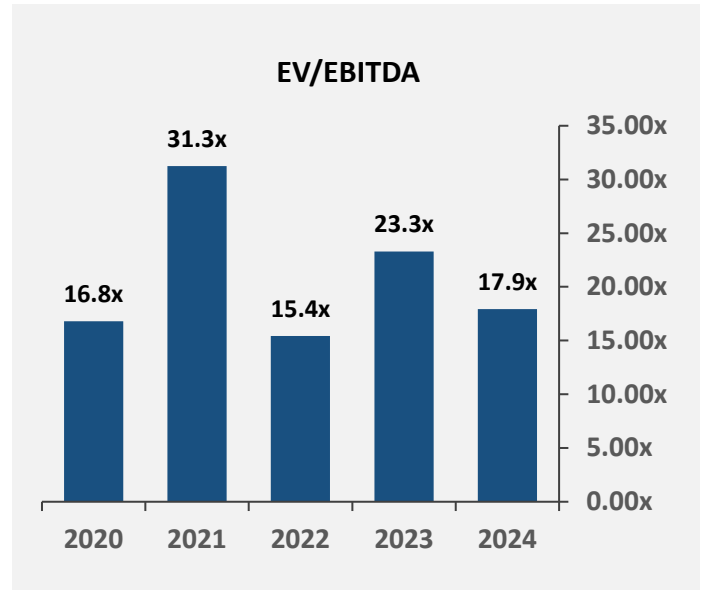
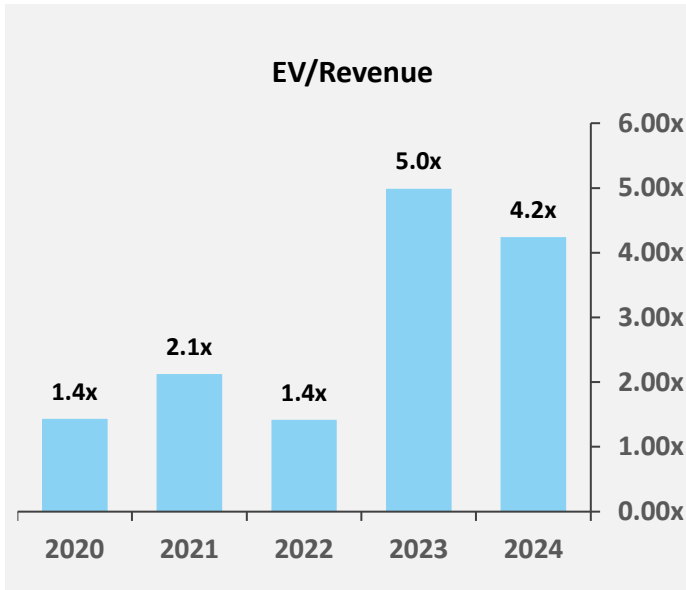


Total Capital Invested by Acquirer

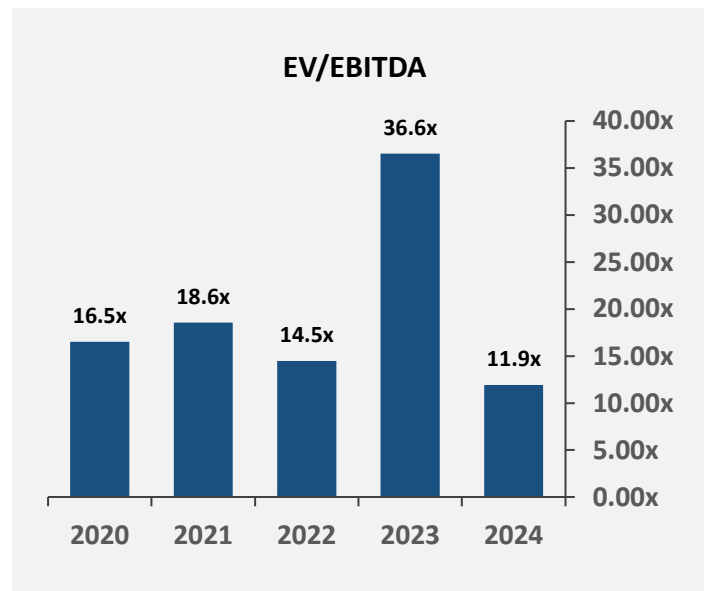
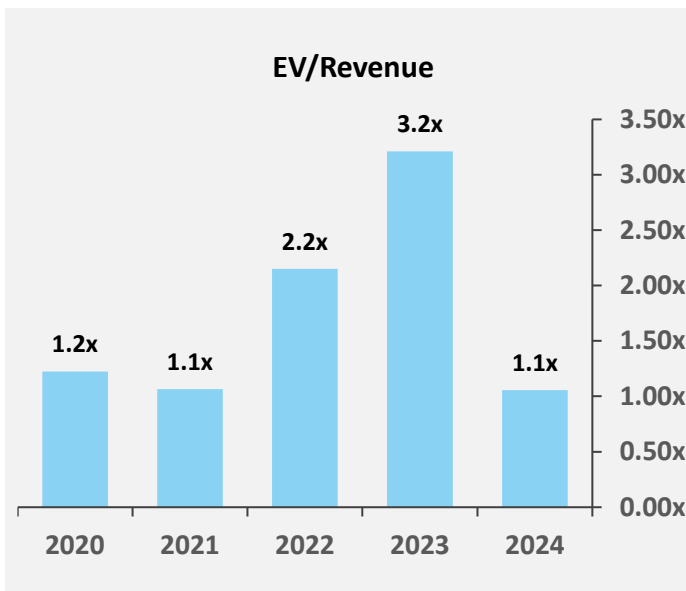


Valuation Multiples

Private Equity Multiples







Strategic Multiples



Largest Deals (Disclosed)

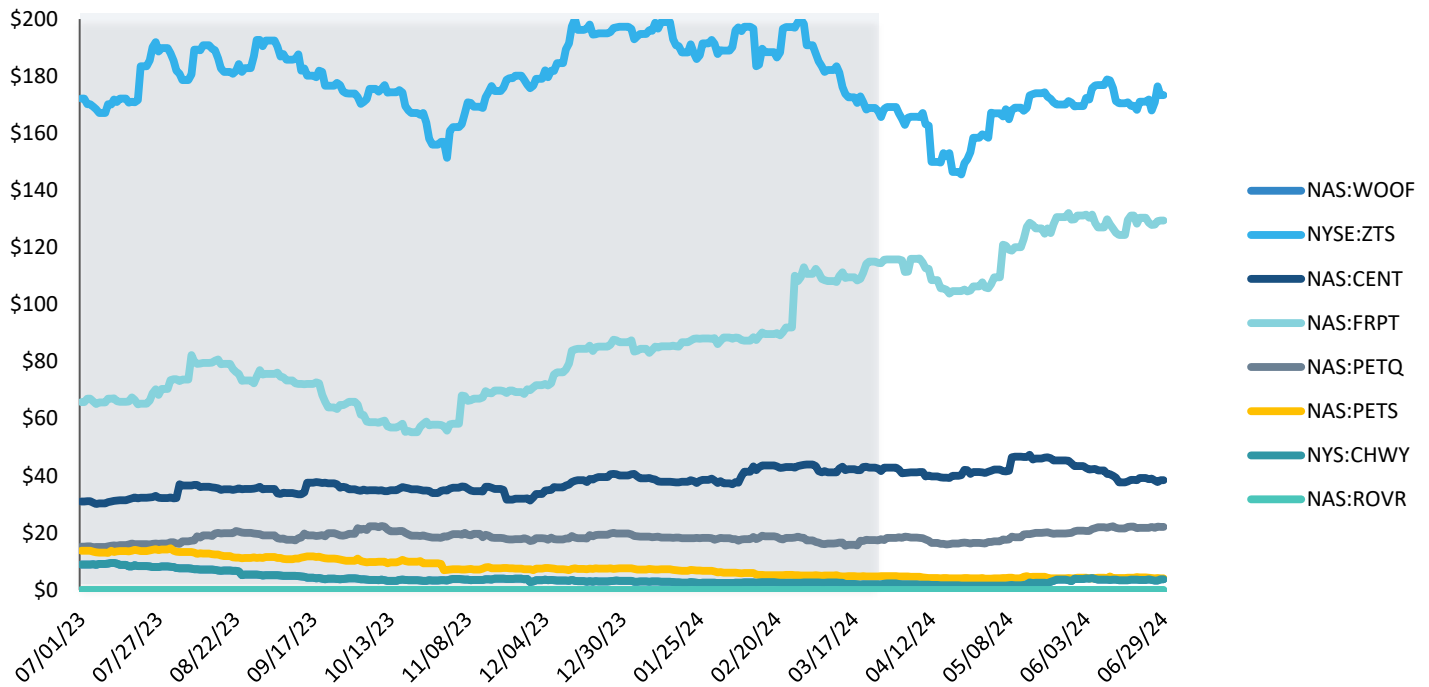
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
26-Jun-2024	Cat Person	Weruva International	Merger/ Acquisition				Manufacturer of cat food and care products based in Natick, Massachusetts.
19-Jun-2024	ProNuvo	International Finance Corporation	PE Growth/ Expansion	2.0			Producer of insect-based feeding products for livestock and pets aimed at reducing the global carbon footprint.
15-Jun-2024	Scenthound	Guideboat Capital Partners	PE Growth/ Expansion	8.0			Operator of a franchise-operated business intended to offer affordable monthly dog hygiene services.
10-Jun-2024	Ani-Logics Outdoors	Pradco Outdoor Brands	Merger/ Acquisition				Producer of a health-based nutrition feed intended for the health and well-being of both wild and captive deer.
04-Jun-2024	All Creatures Great & Small Veterinary Clinic	Shore Capital Partners	Buyout/ LBO				Operator of a full-service animal clinic intended to provide veterinary care to pets.
01-Jun-2024	Altro Pharmaceuticals	Miramar Equity Partners	PE Growth/ Expansion				Provider of industry knowledge and services intended for veterinary pharmaceutical manufacturers and suppliers.
01-Jun-2024	Bar K Holdings	Undisclosed Investor	Corporate				Operator of dog parks, bars, and restaurants intended for people and their dogs to socialize.
29-May-2024	CVS Group (Non-core Businesses)	Global Veterinary Excellence	Merger/ Acquisition	1.3	0.05x		Provider of veterinary services based in Netherlands.
29-May-2024	The Watering Bowl	Mosaic Capital Partners, Turning Rock Partners	Buyout/ LBO				Provider of boarding, grooming, training, and veterinary services intended to offer pet care in a convenient and friendly atmosphere.
17-May-2024	Dogness	Undisclosed Investor	PIPE	5.0			Manufacturer of pet products, including leashes and smart products, and lanyards.
15-May-2024	Animal Hospital of South Bay	Shore Capital Partners	Buyout/ LBO				Operator of a feline and canine hospital intended to serve dogs and cats.
03-May-2024	Treats Unleashed	CapitalSpring	Buyout/ LBO				Provider of pet food products and services based in Chesterfield, Missouri.
01-May-2024	Ultra Pet Company	Oil Dri Corporation Of America	Merger/ Acquisition	46.0			Supplier of silica gel-based crystal cat litter products based in Anderson, South Carolina.
24-Apr-2024	Buck Bone Organics	Borgman Capital	Buyout/ LBO				Producer of natural dog food intended to offer healthy, nutritious, hearty treats.
23-Apr-2024	Bark Life Express	Bark Life	Merger/ Acquisition				Operator and provider of pet and grooming store for cats and dogs based in Indian Shores, Florida.
15-Apr-2024	STEM Animal Health	Abu Dhabi Investment Authority	Buyout/ LBO	8.5	6.42x		Developer of animal health oral care products dedicated to treating biofilm-related ailments in animals.
11-Apr-2024	Brook-Falls Veterinary Hospital & Exotic Care	Shore Capital Partners	Buyout/ LBO				Operator of veterinary hospital catering to pets and exotic animals.
03-Apr-2024	RSA Insurance's personal lines business	Admiral Group	Merger/ Acquisition	146.1			Provider of home and pet insurance services based in the United Kingdom.
Mean				31.0	3.24x	N/A	
Median				8.0	3.24x	N/A	
High				146.1	6.42x	N/A	
Low				1.3	0.05x	N/A	

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
	<p>RSA Insurance's personal lines business, a UK-based provider of home and pet insurance services, was acquired by Admiral Group ("AG") for \$146.1 million in April 2024. The acquisition will strengthen AG's home insurance business and accelerate its direct pet proposition launched in 2022.</p>	<p>Merger/ Acquisition</p>
	<p>Ultra Pet Company ("UPC"), a South Carolina-based supplier of silica, gel-based crystal cat litter products, was acquired by Oil Dri Corporation Of America ("ODCA") for \$46.0 million in May 2024. The acquisition strengthens Oil-Dri's position as a cat litter producer in North America and furthers its mission to Create Value from Sorbent Minerals.</p>	<p>Merger/ Acquisition</p>
	<p>In April 2024, Abu Dhabi Investment Authority ("ADIA") acquired Canadian STEM Animal Health ("STEM"), a developer of oral care products to treat biofilm-related ailments in animals, for \$8.5 million. ADIA's acquisition aims to strengthen STEM's financial position and refocus the company on human health biofilm solutions.</p>	<p>Buyout/ LBO</p>
	<p>Scenthound, a Florida-based franchisor providing affordable monthly dog hygiene services, was acquired by Guideboat Capital Partners ("GCP") for \$8.0 million in June 2024. The acquisition allows GCP to leverage Scenthound's wellness-focused dog care franchise model and accelerate GCP's rapid expansion in the pet industry.</p>	<p>PE Growth/ Expansion</p>

Public Comps

Stock Price



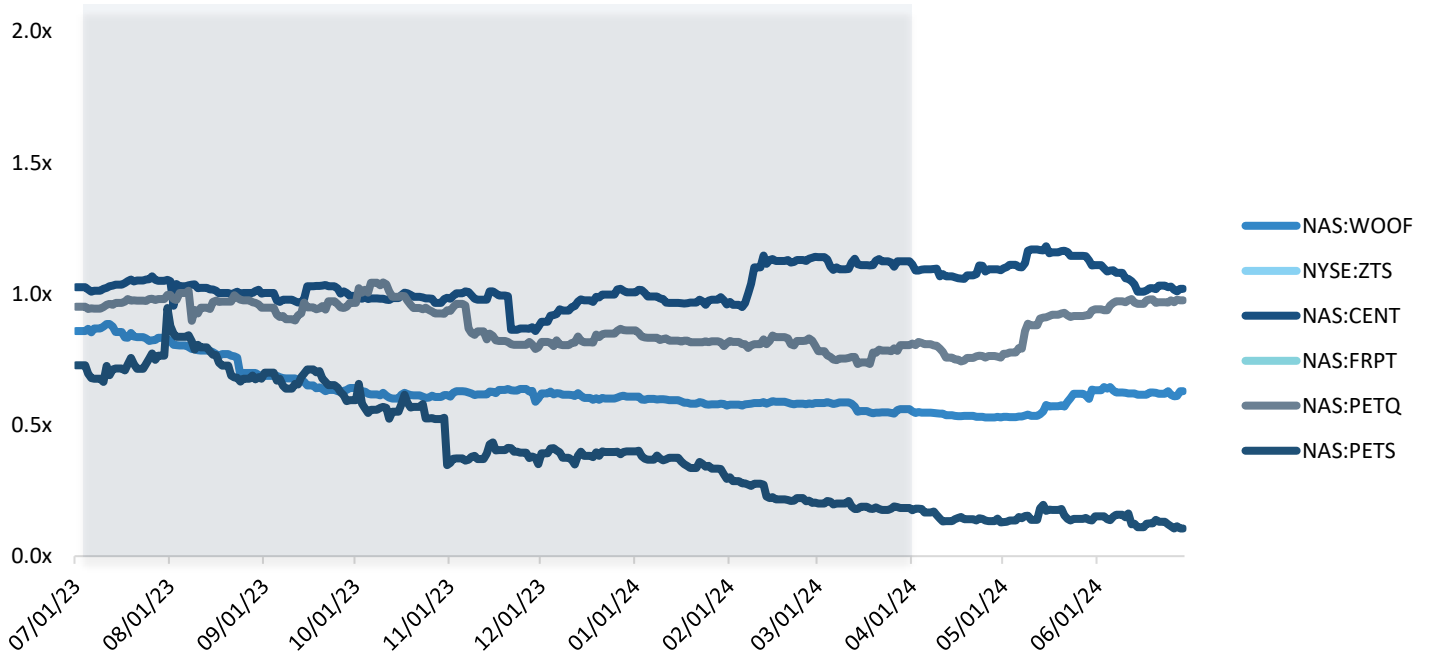
Financial & Valuation

\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA		
						22A	23A	24F	22A	23A	24F
	Petco Health & Wellness Company	NAS:WOOF	4	1,032	2,979	0.9x	0.6x	0.6x	14.0x	N/A	11.4x
	Zoetis	NYSE:ZTS	173	79,103	6,770	8.9x	11.3x	9.2x	22.1x	27.1x	21.8x
	Central Garden & Pet	NASDAQ:CENT	39	2,296	1,375	0.9x	1.0x	1.0x	9.3x	11.2x	9.2x
	Chewy	NYS:CHWY	27	11,874	519	1.5x	0.9x	1.0x	272.6x	109.6x	22.7x
	Freshpet	NAS:FRPT	129	6,266	424	4.1x	5.9x	6.7x	N/A	451.3x	51.4x
	PetiQ	NAS:PETQ	22	651	465	0.7x	0.9x	0.9x	64.4x	9.8x	9.5x
	Petmed Express	NAS:PETS	4	83	1	1.0x	0.4x	0.1x	11.7x	N/A	2.7x

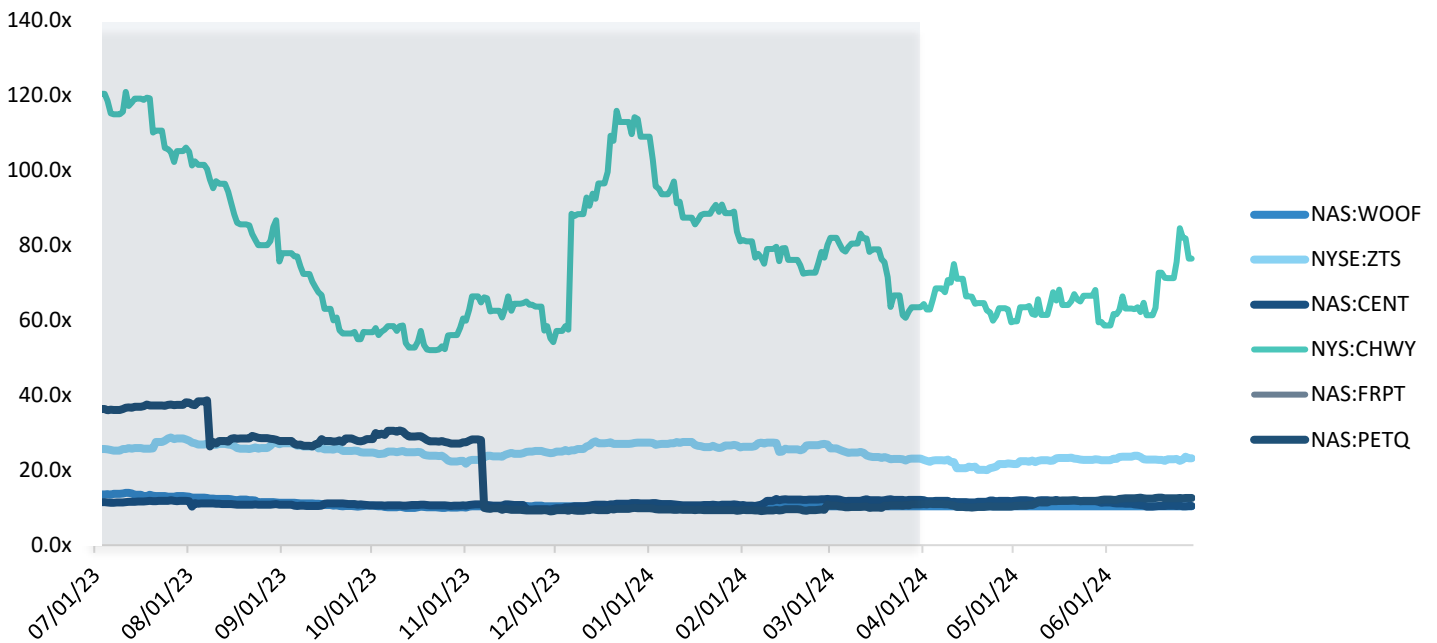
Mean						2.6x	3.0x	2.8x	65.7x	121.8x	18.4x
Median						1.0x	0.9x	1.0x	18.0x	27.1x	11.4x

Public Comps

EV/Revenue



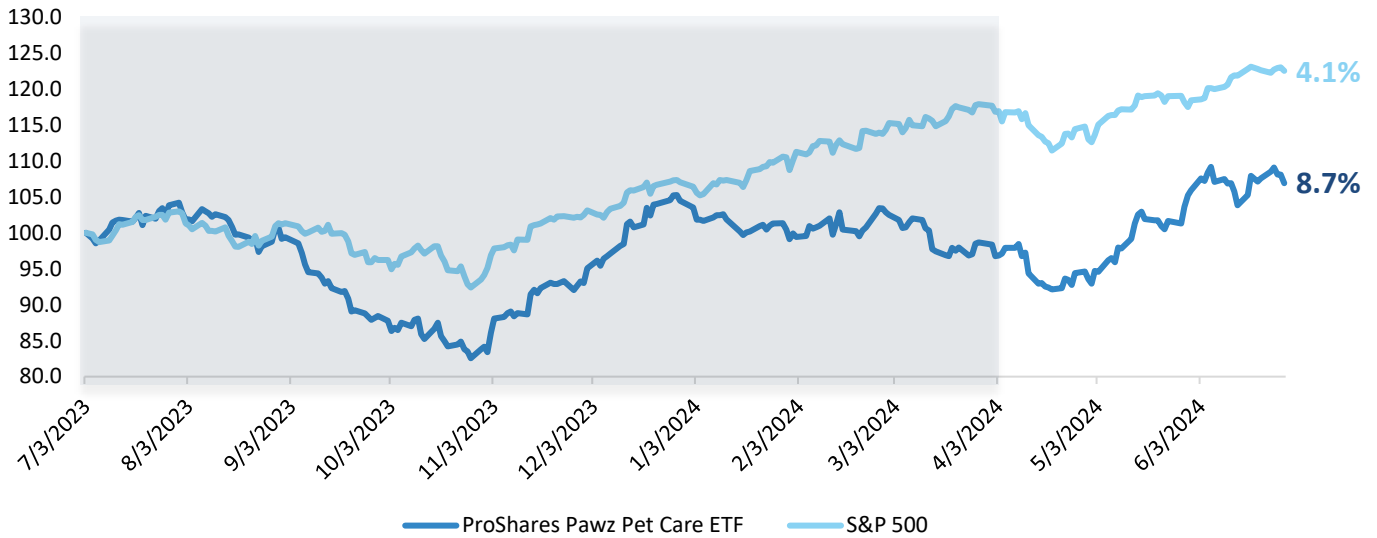
EV/EBITDA



Public Markets

Index Performance

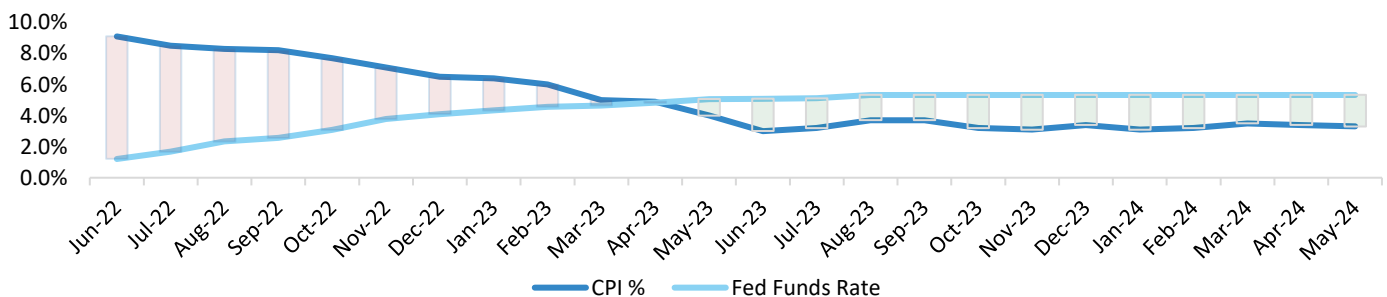
In Q2, the ProShares Pawz Pet Care ETF increased 8.7% and outperformed the S&P 500, which increased 4.1% over the same period.



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 keep interest rates elevated after a higher-than-expected jobs report from May showing 272.0K jobs were added to the U.S. labor market. A strong jobs report indicates that consumers will have more disposable income, causing higher consumer spending that can elevate inflation. As a result of the strong jobs data, many economists have adjusted their forecasts from 3 rate cuts in 2024 to only 1 by the end of the year with a possibility of the first cut arriving as early as September. The May consumer price index (“CPI”) consensus for the upcoming June Federal Reserve meeting estimates a year-over-year increase of 3.4%, matching April’s gain. Along with their prediction that interest rates will not be cut in June, economists also claim that a rate hike would be too risky and would rock the markets. If the Federal Reserve cuts rates in 2024, the impact of lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers in M&A transactions. Although we anticipate the Fed’s rate cuts to have a positive impact on M&A volume in the sector, uncertainty surrounding the Fed’s decision will likely have a dampening effect on deal volume over the next quarter.



Industry Trends

Pet Supplements

The Rise in Popularity of Pet Supplements

The current humanization of pets has owners trying to feed and take better care of their pets. In efforts to prioritize their pet's health, owners are turning towards pet supplements like vitamins, fish oil, and probiotics. The gut-supporting formulas and probiotics lead the charge as the most popular pet supplements, as 7% of pet owners purchased a gut-supporting formula last year. The pet supplement industry is on course to reach \$1.1 billion by 2027.



Growth of Pet Insurance

The Pet Insurance Space Experiences More Growth

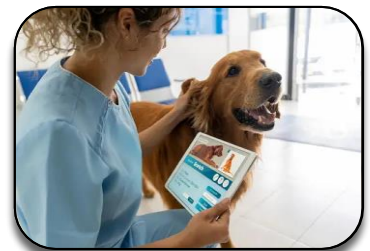
Reaching \$10.1 billion in 2023, the pet insurance industry is projected to keep growing at a compound annual growth rate of 17.0% through 2030. Along with the increasing number of pet owners, people are choosing to cover their pets with an accident and illness pet insurance policies. The increase in pet insurance has spurred an increasing demand for veterinary services as well.



Online and Mobile Pet Care

The Digital Transformation of Pet Services

The pet industry is entering a new world of accessibility and convenience as more options arise for online pet care. With the rise in e-commerce platforms, pet owners can order supplies without ever going to a store. These mobile apps can also provide on-demand pet care services, and companies, like PetLinx, are utilizing e-commerce in the pet industry to stimulate growth.



Sustainable and Eco-Friendly Products

Pet Owners Gravitating Towards Sustainable Options

Similarly with human products, pet owners are attracted to products and companies that are mindful of the environment. Whether it be biodegradable toys, organic food, or eco-friendly shampoos and soaps, the demand for environmentally friendly pet products is rising. The importance placed on sustainability is only going to increase until goals and benchmarks are met. Consumers are aligning their preferences with environmental solutions.



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.



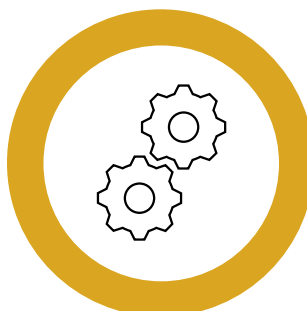
Buy-Side Advisory: Buy a business

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



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 M&A Deal Leaders



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 M&A Deal Leaders



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 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
(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 M&A Deal Leaders



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.



Trusted Advisors.

Tenacious Advocates.

R.L. Hulett

8000 Maryland Avenue, Suite 650

St. Louis, Missouri 63105

Email: thulett@rhhulett.com

Phone: 314.721.0607

Fax: 314.721.2783