



PET INDUSTRY REPORT VOLUME 9

MARKET UPDATE

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Pet M&A activity has been active through the end of 2017 and beginning of Q1 2018. Acquisitions of consumable producers increased notably, with several larger acquisitions, most notably Blue Buffalo Pet Products (acquired by General Mills), signifying continued interest in expanding the pet-oriented product portfolios by large, diversified consumer products companies.

SELECT PET M&A ACTIVITY

Strategic Buyer

02/22/18	Consumables	Blue Buffalo Pet Products , a producer of premium pet food sold under the “BLUE” brand, was acquired by General Mills .
02/08/18	Retail	Muttz Natural Pet Supplies , a chain of four pet supply stores, was acquired by Bentley’s Pet Stuff .
01/31/18	Retail	Green Paws , a pet supply store, was acquired by Bentley’s Pet Stuff .
01/30/18	Services	PIQ , a provider of pet insurance brokerage services (PetInsuranceQuotes.com), was acquired by PETCO .
01/17/18	Veterinary	Community Veterinary Clinics (dba VIP Petcare) , an operator of veterinary clinics in Northern California, was acquired by Petiq .
01/16/18	Durables	Pet Ego , a producer of lifestyle and travel products for pets, was acquired by Worldwise .
01/11/18	Retail	All Paws Pet Center , a chain of pet supply stores, was acquired by Chuck & Don’s .
01/02/18	Consumables	Pro-Pet , a manufacturer of private label and branded pet food, was acquired by Cargill’s Animal Nutrition division .

Financial Sponsor

01/31/18	Consumables	Pets4Life , a producer of gourmet frozen raw pet food, was acquired by Dane Creek Capital .
01/25/18	Consumables	Worldwise , a producer of pet toys, raised minority growth equity from VisioCap .
01/16/18	Veterinary	MedVet Medical & Cancer Center For Pets , a pet care center located in Ohio, was acquired by Broadstone Real Estate .
12/12/17	Durables	Outward Hound , a designer and producer of pet toys, games, and travel gear, was acquired by J.W. Childs Associates .



Quarterly Spotlight

Jamie Migdal | Founder and CEO of FetchFind

Jamie Migdal has been working with dogs and their people, and innovating within the pet industry, for 25 years. Having successfully built three national pet service companies and worked hands-on with more than 20,000 dogs and 100,000 clients, Jamie is an expert in all aspects of the pet industry, including education, technology, business development, sales, marketing, and management. Her fourth and current company, FetchFind, provides staff training and other business solutions to pet care service companies around the globe. In 2017, Jamie was named as a Pet Age ICON Award Recipient and received the Women Tech Founders Midwest Women in Tech award in the Lifestyle category. In October 2016, FetchFind was selected as one of the top five most innovative pet care companies via the Purina Pet Care Innovation Prize.



An Interview with Jamie by MHT Partners' Carol Frank

Tell us about FetchFind and why you started this concept.

I recognized a need for greater staff professionalization and safety in pet care services, as well as the need for employers to more easily and effectively hire, train, and retain employees. The pet care services industry is plagued by retention issues, as illustrated by a 125% staff turnover rate. Additionally, over 4.6 million dog bites are consistently reported annually, professional training (especially with the growing on-demand economy represented by Rover, Wag!, and even Amazon) helps individual contractors avoid injury.

As a four-time pet industry entrepreneur (FetchFind is my fourth company) I am intimately familiar with how hard it is to find good employees for pet care service positions. Part of the reason I sold my first two companies is compassion fatigue, which is something we normally associate with rescue and volunteers, but it is an issue in well-established pet care businesses as well. If you look at my business ownership trajectory, you can see that I have gone from a completely hands-on (dog walking and pet sitting) to completely online (FetchFind) business model. But I do remember the stress of taking care of animals full time and in many cases learning the hard-way on how to provide for their basic needs effectively and compassionately. What FetchFind aims to do is assist everyone who is caring directly for animals to understand, on a deeper level, what the animals are telling them so that they can work safely, efficiently, and correctly. A good worker has good tools - and we want to provide those tools to the over 600,000 estimated pet care business in the world.

You have been successful in raising capital. What avenues have you used and to what do you attribute to your success?

We have funded our business in stages and our strategies for funding have matched our respective business traction at the time. We have conducted a Friends and Family round, an Angel round, and an equity crowdfunding campaign on Republic (a crowdfunding investment platform). We have been successful because so many people regard their pets as family members, and that extends our reach and interest in the company far beyond the pet industry itself.

Regarding our fundraising strategy, I believe investors have found interest in our company due to our hard-work ethic, the ability to generate meaningful traction, expand our subscriber base and top-line growth while remaining lean. Of course we have made mistakes along the way but we have been fortunate not to have raised a large venture round which could have prompted a major change in our strategic direction. We are thankful for all of our investors, large and small.



Quarterly Spotlight

Jamie Midgal | Founder and CEO of FetchFind

What are some of the biggest challenges you have faced while raising capital for your pet services company?

One of the biggest challenges is trying to balance the full-time nature of raising capital (and doing it well) with running a company (and doing that well). I'm pretty energetic, but even I have to sleep sometimes. Like most founders, it is easy to get caught-up in the chaos and perceived glamour of raising capital. I believe we have done a good job of continuing to bootstrap and only raise the funds necessary to move the needle.

Where do you see the biggest growth opportunities in the pet services industry?

In pet care verticals. No matter how landscapes change as far as technology platforms or products and manufacturing, people will always need someone to walk, train, board, groom and vet their pets. Pet care services are not only the most sustainable aspect of the pet industry, but the most influential.

Traditional pet companies are valued per a multiple of EBITDA. What are the metrics used to value a pet technology/services company such as FetchFind.

As a learning management and HR platform, we strive to grow our subscriber base of pet businesses. We currently have customers in over 35 states and four countries and want eventually to be accepted worldwide. As we grow our subscriber base, we are also focused on maintaining a low customer acquisition cost and increasing the lifetime value of each subscriber.

How will FetchFind deploy the capital you just raised? What are your growth plans?

We are focused on a few exciting strategies in 2018 that we expect to triple our business. Specifically, we have some large enterprise accounts in our pipeline, and an aggressive sales and marketing strategy. We are also going to continue to invest in new technology which will allow us to not only continue our growth plans but also provide increased value to our subscriber base.





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Public Market Overview

During the past year, MHT's pet industry index was up approximately 7%, compared to the S&P 500 Index, which was up approximately 16%. While traditional pet products companies have generally performed well, larger consumer products companies (of which notable pet products and brands are part of) have grown at a much slower pace, bringing the overall index performance down. The strongest performers in the pet index were OurPet's Company and Freshpet, whose stocks were up approximately 69% and 66% over the last twelve months, respectively.

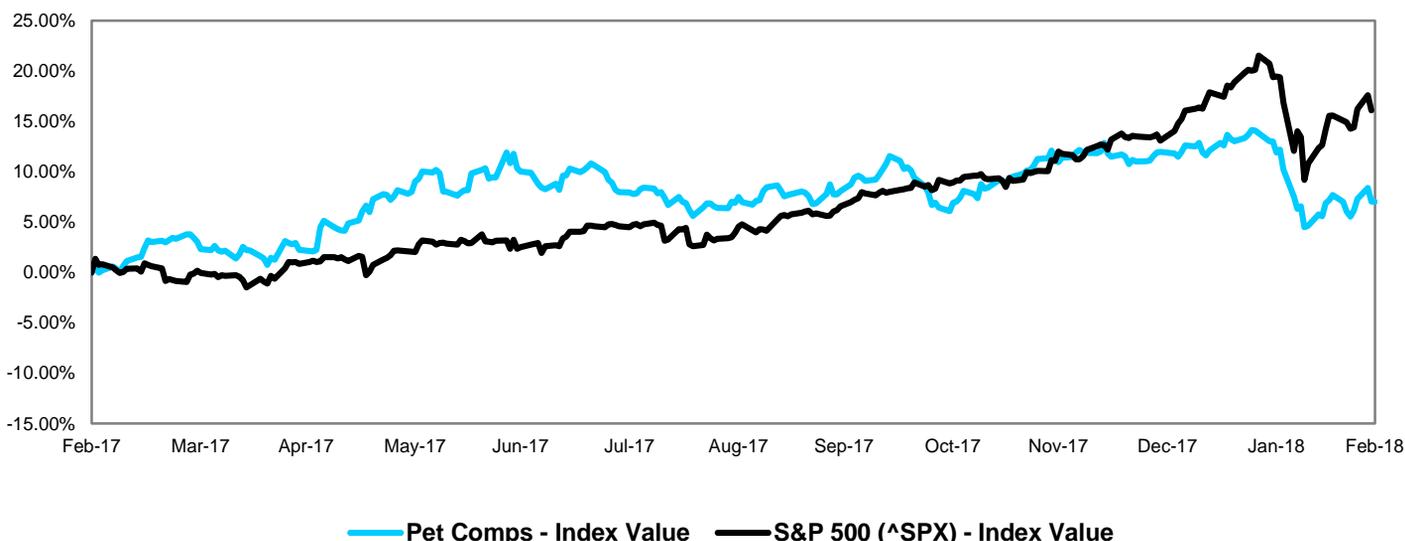
Public Company Set

(\$ IN MILLIONS, EXCEPT FOR PER SHARE PRICES)

Company	Enterprise Value	Equity Value	Share Price	% of 52-Week High	Stock Price Performance		EV / Revenue		EV / EBITDA	
					One-year	Three-Year	LTM	2018E	LTM	2018E
PET PRODUCTS										
Blue Buffalo Pet Products, Inc.	\$4,559	\$4,515	\$22.75	82.7%	(3.7%)	NA	3.9x	3.6x	16.2x	14.6x
Central Garden & Pet Company	2,059	1,568	31.18	79.3%	34.9%	245.7%	1.0	1.0	10.2	10.5
Freshpet, Inc.	562	558	16.15	96.0%	65.3%	NA	3.9	3.6	69.7	33.0
OurPet's Company	29	25	1.52	90.4%	68.8%	56.6%	1.0	1.0	9.0	--
CONSUMER PRODUCTS COMPANIES WITH PET LINES										
Nestlé S.A.	281,157	264,495	85.36	95.8%	9.0%	18.4%	3.0	3.1	15.6	16.5
Colgate-Palmolive Company	70,634	65,311	73.86	95.6%	0.8%	7.3%	4.6	4.6	16.1	16.0
Unicharm Corporation	14,709	14,565	24.87	91.5%	20.3%	36.5%	2.5	2.6	15.0	14.7
Spectrum Brands Holdings, Inc.	11,061	7,374	124.81	85.4%	8.2%	41.5%	2.2	2.2	12.8	11.7
Oil-Dri Corporation of America	291	311	41.83	97.7%	20.4%	34.9%	1.1	--	10.4	--
ANIMAL HEALTH										
Eli Lilly and Company	93,801	86,995	82.65	95.3%	3.8%	31.1%	4.2	4.1	15.1	14.5
Zoetis Inc.	34,606	30,758	62.83	98.4%	32.3%	90.9%	6.8	6.6	19.2	17.5
Virbac SA	2,021	1,347	159.83	71.2%	(13.5%)	(12.7%)	2.0	2.0	15.9	15.5
Trupanion, Inc.	650	667	22.17	94.7%	61.7%	NA	2.8	2.7	277.8	112.8

Source: Capital IQ. As of 03/06/2018.

Pet Industry vs. S&P 500 (Last Twelve Months)



Note: chart is weighted by market capitalization.



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Pet M&A Overview – Select Deals

Target	Acquirer	Target Description	Enterprise Value
Blue Buffalo Pet Products, Inc.	General Mills, Inc.	Blue Buffalo Pet Products, Inc., develops, produces, markets, and sells dog and cat food under the BLUE family of brands.	8,057.5
Pets4Life	Dane Creek Capital Corp.	Pets4Life produces gourmet frozen raw pet food for dogs and cats.	-
Green Paws LLC	Bentley's Pet Stuff LLC	Green Paws LLC, doing business as Green Pawz Pet Supply, operates as a pet supply store.	-
PIQ, LLC	PETCO Animal Supplies, Inc.	PIQ, LLC, doing business as PetInsuranceQuotes.com, owns and operates pet insurance brokerage services.	-
Worldwise, Inc. ⁽¹⁾	VisioCap, LLC	Worldwise, Inc. designs, develops, and manufactures pet products.	-
Community Veterinary Clinics, LLC	Petiq, LLC	Community Veterinary Clinics, LLC operates veterinary clinics.	220.0
Pet Ego LLC	Worldwise, Inc.	Pet Ego LLC manufactures lifestyle and travel products for pets.	-
MedVet Medical & Cancer Center For Pets In Moraine, Ohio	Broadstone Real Estate LLC	MedVet Medical & Cancer Center For Pets In Moraine, Ohio comprises pet care center and is located in the United States.	5.0
All Paws Pet Center LLC	Chuck & Don's	All Paws Pet Center LLC retails pet supplies through its stores.	-
Pro-Pet, LLC	Cargill Animal Nutrition	Pro-Pet, LLC manufactures private label and branded pet food.	-
Outward Hound	J.W. Childs Associates	Outward Hound designs and develops plush toys, travel gears, and games and puzzle toys for dogs.	-

(1) Represents a capital raise.

The Secret Weapon every Brick and Mortar Retailer needs to fight Amazon and Chewy

What is the one thing that can never be purchased at Amazon, Chewy, or any other e-commerce site? Grooming! This really hit home to us a few months ago when Carol Frank was speaking with the CEO of a multi-unit pet retailer who is opening 2-3 new stores a month. With all the doom-and-gloom predications about e-commerce eventually being the death of brick and mortar, he is flying in the face of these naysayers. Why? Their stores groom over 500,000 dogs a year, and having a quality grooming service results in loyal “sticky” clientele who rarely walk out the door without buying some food, treats, or toys for Fluffy. Petsmart recently upped the ante on grooming services by opening multiple locations of The Groomery, a new stand-alone store focused solely on grooming services. Offering grooming and other services like day care and boarding is truly a key point of differentiation in this competitive retail landscape.





IN THE DEAL HOUSE



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MHT PARTNERS – THE LEADING MIDDLE MARKET PET INVESTMENT BANK

MHT Partners is a leading national middle market investment bank focused on high-growth companies and industry leaders. The team at MHT Partners assists clients with seller advisory, acquisition advisory, corporate finance, and strategic advisory assignments. With a tightly integrated combination of Wall Street, middle market, and strategic consulting expertise, we are uniquely qualified to serve the distinct advisory needs of companies across a range of industries. Within the consumer industry, the senior professionals of MHT Partners have completed over 100 deals, including over 15 pet transactions. We bring these combined skill sets to bear in every engagement, creating maximum value for each client through thoughtful positioning and creative deal structuring.

SUPERIOR TRANSACTION EXECUTION

ROBUST M&A STRATEGIES

UNIQUE RESOURCE FOR MANAGEMENT TEAMS



ABILITY AND DESIRE TO SERVE AS ADVISORS TO COMPANIES EVEN IF THERE IS NO IMMEDIATE TRANSACTION

ONE STOP SHOP FOR MIDDLE MARKET COMPANIES

EXCEPTIONAL CLIENT SERVICE

THE MHT PET TEAM

Carol Frank, Managing Director – Business Development

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At MHT Partners, Carol focuses exclusively on deals to the pet industry and has participated in over a dozen pet industry transactions over the last several years. Prior to her investment banking career, Carol founded and sold four successful pet companies in the retail, wholesale, manufacturing, and e-commerce spaces. A former CPA, Carol holds an MBA from Southern Methodist University and a BBA from the University of Texas at Austin.

Craig Lawson, Co-Founder and Managing Director

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Craig has over 20 years of sell-side and buy-side financial experience. He brings deep experience with consumer products and leads MHT Partners' Consumer Growth industry practice. Within the Consumer Growth practice he has a particular focus on the pet space, having closed several deals over the past few years, including leading the ThunderShirt, PulseVet, Dogswell, and K&H Manufacturing transactions, and presently working with several other pet companies. Prior to co-founding MHT Partners, Craig served as a senior banker in the San Francisco office of Harris Williams & Co, and was previously with Banc of America Securities and Bear Stearns. Craig holds an MBA from The Wharton School at the University of Pennsylvania and graduated with a BA from Tufts University. He also holds the CFA designation.