



PET INDUSTRY REPORT VOLUME 10

MARKET UPDATE

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Pet M&A activity has been active through the first half of 2018. Acquisitions of producers of consumable products producers and veterinary-related businesses increased notably, with several acquisitions by Barkstrong (consumables) and Mars Petcare (veterinary), signifying interest in consolidating market share in the two segments.

Select Pet M&A Activity (Continued on Page 5)

Strategic Buyer

06/15/18	Services	GoFetch Technologies , an online community marketplace that connects dog owners with dog walkers and sitters, was acquired by Future Pet Animal Health .
06/12/18	Consumables	Pioneer Naturals Dog Food , a manufacturer of dog food, was acquired by Barkstrong .
06/11/18	Veterinary	AniCura and Linnaeus Group Limited , operators of veterinary clinics and animal health service providers, were acquired by Mars Petcare .
06/09/18	Consumables	Nulo , a producer and marketer of pet food products for dogs and cats, received a minority growth investment from Main Post Partners .
05/31/18	Consumables	Great Life Petfood , a manufacturer of pet food, was acquired by Barkstrong .
05/30/18	Veterinary	Integrative Pet Care and Atlantic Street Veterinary Hospital , a group of veterinary specialty hospitals, was acquired by Ethos Veterinary Health .
05/30/18	Veterinary	OptiGen , a provider of DNA-based diagnostic services for dogs and cats, was acquired by Mars Petcare .
05/29/18	Consumables	Wild Calling Pet Foods , a manufacturer of pet food, was acquired by Barkstrong .
05/29/18	Consumables	Vetscience , a producer of organic and natural food supplements and treats for dogs and cats, was acquired by Manna Pro Products .
05/14/18	Consumables	Ainsworth, Pet Nutrition , a manufacturer and distributor of healthy pet foods and treats (Rachel Ray Brand), was acquired by The J.M. Smucker Company .

Financial Sponsor

06/11/18	Consumables	Pioneer Naturals Dog Food , a manufacturer of dog food, was acquired by Dane Creek Capital .
04/26/18	Consumables	Partner in Pet Food , a manufacturer of pet food, was acquired by Cinven Limited .

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Quarterly Spotlight

Willson Cross | Founder and Former CEO of GoFetch Technologies

Willson Cross, 25, is the founder and former CEO of GoFetch Technologies Inc. (GoFetch). GoFetch connects dog owners with a trusted network of sitters and walkers. GoFetch raised nearly \$3.8 million in funding (angel, micro-VCs, and family offices) and was recently acquired by Future Pet Animal Health Inc. ("FuturePet"), providing its shareholders an average return of 235%. FuturePet is a veterinarian-technology platform that gathers client and patient information proactively and automatically to create more efficient vet visits.



An Interview with Willson by MHT Partners' Craig Lawson

You've had quite an entrepreneurial journey with GoFetch. What was the opportunity you saw?

Coupled with the love for dogs, we saw an opportunity for there to be another player, in addition to for instance, Rover.com and Wag!, in the fast growing pet-marketplace arena. The traditional pet industry, valued at US\$60 billion in North America, is getting a makeover. The industry overall is predicted to hit US\$100 billion in 2020. And if you look at non-veterinary pet services—that includes boarding, training, walking and grooming—that's US\$15 billion, and no one provider even has a couple of points of market share. We viewed it as a real-world problem coupled with a massive business opportunity.

From a technology business perspective, our platform fit many of the fundamentals. Online disruption across all industries has and will continue, and in particular in the pet services space. We were and are solving a real-world problem, in a market (Canada) where we were the first mover, and the unit economics were very sound.

It's this blend of modern technology and the emotional attachment most humans have with dogs that has helped GoFetch grow from an idea sketched on the back of a napkin to a Canada-wide company with customers making a booking every 15 minutes.

So how did you arrive at the decision to sell GoFetch?

Our decision to sell to FuturePet came down to the ability to realize the Company's vision and potential at a larger scale with a differentiated offering to customers. GoFetch recently launched a veterinarian offering and, in addition to general growth funding needs, this new endeavor requires investment. Although GoFetch is growing fast across Canada, there are only 36 million people in the country and in a business and model where scale matters, this would be a limiting factor in scaling to profitability. Equally important, we also believe FuturePet is building a business on top of ours. Our thesis is that this synergistic relationship will drive longer term shareholder value and position the merged entity better for a healthy exit of their own. More broadly speaking, competitive responses have and will continue to come in the form of human capital acquisitions and M&A, and these are more likely to accelerate among major players who now recognize they missed out on acquisitions of early digital pet platforms at more attractive valuations.



Quarterly Spotlight

Willson Cross | Founder and Former CEO of GoFetch Technologies

Any thoughts on the PE and VC Markets for Pet Tech:

According to CB Insights, between 2012 and 2016, as much as \$486 million was invested in the global pet tech sector across 172 deals. “We’re the first Canadian brand of our kind and we’re already seeing growth rates that add validation that there’s massive demand for products/services like ours,” says Cross.

The pet industry is experiencing the impacts of digital disruption across all segments. Ecommerce/direct-to-consumer has changed the channel landscape, driving talent turnover as more digital executives make their way into the space, but also changing the perceived attractiveness and valuation paradigms for all physical retailers in the category.

Startups are not constrained by morphing pet specialty merchandising strategies but by cost of customer acquisition.

Ultimately, for pet-tech startups, cash is king.



GoFetch



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Public Market Overview

During the past year, MHT's pet industry index was down approximately 3%, compared to the S&P 500 Index, which was up approximately 12%. 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 Freshpet and Trupanion, whose stocks were up approximately 77% and 71% over the last twelve months, respectively.

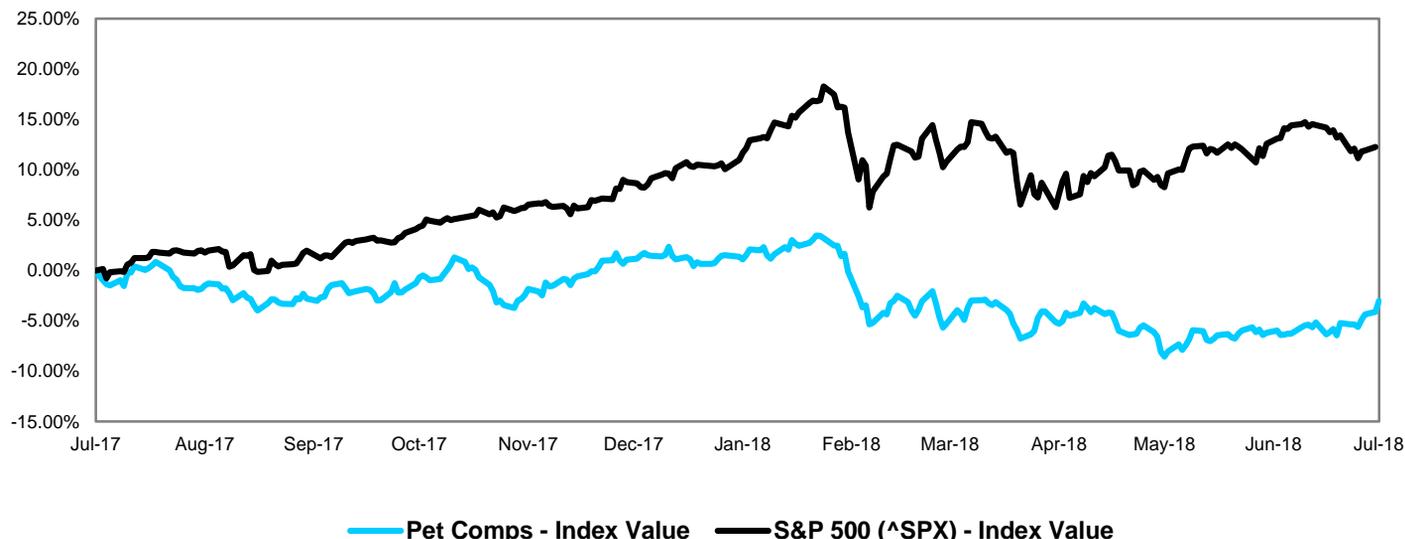
Public Company Set

(\$ 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	2019E	LTM	2018E	2019E
Pet Products												
Central Garden & Pet Company	\$2,762	\$2,202	\$44.5	100.0%	40.6%	324.6%	1.3x	1.3x	1.2x	13.3x	12.7x	11.7x
Freshpet, Inc.	1,020	1,017	28.9	101.8%	76.8%	72.5%	6.1x	5.5x	4.5x	103.0x	50.5x	30.8x
OurPet's Company	18	17	0.9	44.7%	(40.1%)	30.8%	0.7x	0.6x	0.6x	7.4x	--	--
Pet Products Median	\$1,020	\$1,017	\$28.9	100.0%	40.6%	72.5%	1.3x	1.3x	1.2x	13.3x	31.6x	21.3x
Consumer Product Companies with Pet Lines												
Nestlé S.A.	\$263,271	\$243,805	\$80	91.4%	(5.6%)	15.1%	2.8x	2.9x	2.7x	14.5x	13.9x	13.0x
Colgate-Palmolive Company	62,583	56,413	64.7	83.0%	(12.5%)	(2.3%)	4.0x	3.9x	3.8x	14.0x	13.5x	13.0x
Unicharm Corporation	16,083	16,981	29.0	91.8%	14.0%	7.0%	2.6x	2.6x	2.4x	13.9x	13.7x	12.7x
Spectrum Brands Holdings, Inc.	8,896	4,688	84.7	66.8%	(32.4%)	(18.9%)	1.8x	2.9x	2.8x	10.9x	15.0x	14.1x
Oil-Dri Corporation of America	301	311	42.5	83.6%	(0.3%)	39.7%	1.1x	--	--	11.0x	--	--
Consumer Products Median	\$16,083	\$16,981	\$64.7	83.6%	(5.6%)	7.0%	2.6x	2.9x	2.8x	13.9x	13.8x	13.0x
Animal Health												
Eli Lilly and Company	\$95,383	\$88,299	\$87	97.1%	4.6%	0.4%	4.1x	4.0x	3.9x	13.8x	12.9x	12.1x
Zoetis Inc.	44,961	41,646	86.1	96.4%	37.3%	78.2%	8.3x	7.8x	7.4x	21.8x	20.0x	18.1x
Virbac SA	1,692	1,109	131.5	73.2%	(19.1%)	(43.0%)	1.6x	1.6x	1.6x	13.1x	12.4x	10.9x
Trupanion, Inc.	1,223	1,239	38.3	90.3%	70.8%	363.9%	4.7x	4.1x	3.4x	516.2x	229.3x	99.8x
Animal Health Median	\$23,327	\$21,443	\$86.3	93.4%	21.0%	39.3%	4.4x	4.0x	3.7x	17.8x	16.4x	15.1x

Source: Capital IQ. As of 07/10/2018.

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
Vetscience LLC	Manna Pro Products, LLC	Vetscience LLC produces organic and natural food supplements and treats for dogs and cats under the brand Fruitables.
Austin Heart Vet, PLLC	CVCA - Cardiac Care for Pets	Austin Heart Vet, PLLC provides veterinary cardiology services.
PetEdge, Inc.	Boss Pet Products, Inc.	PetEdge, Inc. distributes pet supplies and grooming products for pet care professionals and independent retailers in the United States, Canada, and internationally.
Petzila, Inc.	Wagz, Inc.	Petzila, Inc. comprises a wireless camera and treat disher manufacturing business that connects pets and pet owners.
Tailsco Limited	Nestlé Purina PetCare Global Resources, Inc.	Tailsco Limited, doing business as Tails.com, operates an online pet nutrition service that provides tailor-made diet for pets and working dogs.
Naturawls Pet Products	United Raw Pet Food Inc.	Naturawls Pet Products manufactures pet food.
Pupco Brands, Inc.	BestnPet, Inc.	Pupco Brands, Inc. develops, produces, and distributes natural consumable products for dogs and cats.
Phoebe Products, LLC	BrightPet Nutrition Group, LLC	Phoebe Products, LLC manufactures freeze-dried pet food.
Piensos Unzué SA	De Heus Beheer B.V.	Piensos Unzue SA produces and markets animal feed.
General Pet Supply, Inc.	Central Garden & Pet Company	General Pet Supply, Inc. engages in the supply of pet products to pet specialty and veterinarian markets.
SitStay, Inc.	BuddyRest Pet Products	SitStay, Inc. engages in the online retail of pet products.
Spectrum Brands Holdings, Inc.	HRG Group, Inc.	Spectrum Brands Holdings, Inc. manufactures, markets, and distributes branded consumer products.

CBD Products are on a Rocket Ship Ride

Walking around Super Zoo a few weeks ago, we couldn't help but notice the plethora of CBD (Cannabidiol) focused products (that contain zero THC) being promoted by a multitude of manufacturers. Why has this category exploded within the last few years? We reached out to a pioneer in the CBD space, Ello Pet Supply founder Jamie Rowe, for some insight: "As people are becoming more aware of their own health, this same thought process is translating to thoughts of our pet's health. They are realizing that popping a pill doesn't equal a healthy life so consumers are looking for alternative solutions. CBD is the new hot solution and consumers are soaking up the benefits of this plant with little to no side effects. As the first distributor in the US market to carry CBD products, we found that pet retailers want to help their customers' dogs live long healthy lives without pain. CBD has been found to help with seizures, joint issues, anxiety and more. Retailers want to be on the edge of What's Hot and offer products that give them a competitive advantage over the big box stores. CBD fulfills this need and they witness results that positively change pet's lives. Another reason CBD is hot right now is because of it's "forbidden" quality. Cannabis is illegal in many states so the idea of having something "illegal" (but it's not) in their store is very exciting and fun to talk about for them. I even had one store owner whisper when she spoke about the product as if she was talking about plans to rob a bank! Overall, CBD is an exciting and highly beneficial supplement for pets and humans alike."





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

a portfolio company of
BENFORD
CAPITAL PARTNERS LLC
has been acquired by
CENTRAL
Garden of Pet

a portfolio company of
TSG CONSUMER PARTNERS
has been acquired by
FRONTENAC

has been recapitalized by
ENCORE
consumer capital

has been recapitalized by
THOMPSON STREET
CAPITAL PARTNERS

a portfolio company of
Charlesbank
CAPITAL PARTNERS LLC
is pleased to announce the acquisition of
Kane Veterinary Supplies

a portfolio company of
Charlesbank
CAPITAL PARTNERS LLC
is pleased to announce the acquisition of
Cattleman's Supply Inc.

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 numerous 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.