



## PET INDUSTRY REPORT Volume 11

### MARKET UPDATE

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Pet M&A activity has been active through 2018. Acquisitions of producers of consumable products producers, durable products producers, and retailers increased notably, with several acquisitions in the consumables and veterinary space, signifying interest in consolidating market share in the two segments.

### Select Pet M&A Activity (Continued on Page 6)

#### Strategic Buyer

12/17/2018	Consumables	<b>Targeted Pet Treats, LLC</b> manufactures injection molded pet dental treats, toys, and chews was acquired by <b>Pestell Pet Products</b> .
11/16/2018	Durables	<b>Gen 7, Inc.</b> manufactures pet strollers, was acquired by <b>Doskocil Manufacturing Company, Inc.</b> , doing business as <b>Petmate</b> .
10/18/2018	Durables	<b>Motivation Designs</b> , doing business as Kurgo, a developer and manufacturer dog travel and active dog products, was acquired by <b>Radio Systems Corporation</b> .
10/16/2018	Durables	<b>Planet Dog</b> , a developer of products for dogs, was acquired by <b>Outward Hound</b> .
10/17/2018	Consumables	<b>HBH Enterprises</b> , doing business as Ballard Manufacturing, a developer and manufacturer of pet treats and supplements, was acquired by <b>Petiq</b> .
10/10/2018	Durables	<b>Sports Coverage</b> , a provider of consumer home fashions and pet bed products, was acquired by <b>Advanced Foam Recycling</b> .
10/5/2018	Consumables	<b>Triple-T Foods Arkansas</b> , a provider of wet food ingredients, was acquired by <b>Darling Ingredients</b> .
10/3/2018	Durables	<b>BPV</b> , a manufacturer of pet care, lawn, and garden products, was acquired by <b>Petsell Pet Products</b> .
9/26/2018	Technology	<b>Link AKC</b> , a manufacturer of GPS enabled dog caller and smart phone application that combines state-of-the-art smart home, wearable, and mobile technology, was acquired by <b>Wagz</b> .
9/11/2018	Retail	<b>BirdCages4Less</b> and <b>Pets Alley</b> , online retailers of pet products, were acquired by <b>Rev Commerce</b> .
7/12/2018	Durables	<b>Ultra Paws</b> , is engaged in product development, manufacturing coordination, sales, warehousing, and distribution activities of dog gear and related products, was acquired by <b>R2P Group</b>

#### Financial Sponsor

11/5/2018	Veterinary	<b>Greencross</b> , an integrated pet care company and provider of veterinary services, was acquired by <b>TPG Growth</b> .
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### Quarterly Spotlight

#### Anne Carlson | Founder & CEO

*Anne Carlson is the founder and CEO of Jiminy's LLC. Jiminy's products nourish pets and promote sustainability through the use of natural and high protein ingredients derived through cricket protein to provide pets with the appropriate energy and nutrient needs. Anne has spent her entire career working with consumer brands across many categories, however her passion is the pet category. She worked for Fortune 500 companies as well as start ups, including Secant, a business she sold to IRI in 2006. Anne currently has two rescue pups at home, a Great Dane named Derby and a lab / border collie mix named Tuco. You can describe Anne as a retired marathon runner, new pilates junky and a film lover.*



#### An Interview with Anne Carlson by MHT Partners' Craig Lawson

##### So what was the inspiration/genesis for Jiminy's?

Prior to Jiminy's, I worked for one of the big pet food manufacturers (Big Heart Pet). While there, I was acutely aware of the size of the pet market and its growth. There are over 89 million dogs in the US who consume over 32 billion pounds of protein per year.

The company I worked for was acquired by an even bigger company (Smucker) and I decided to take the opportunity to depart and do something different. I realized that I needed a greater purpose and decided that climate change was the problem that I wanted to help tackle. As I was doing all of this soul-searching, I was approached to lead a grass-fed beef dog treats company. They were pitching it as a more sustainable alternative for dogs. I loved the concept of a more sustainable alternative (it's in keeping with what I was looking to do!), but cows are not the answer. I started looking into sustainable protein alternatives and stumbled across a UN study that identified insects as a food source that could reduce world hunger. Scientists report that insects provide more protein than beef and other meats AND use less of our precious resources to produce.

The answer to my next question - do dogs like it? - was crucial. This is where my two pups got involved. Derby and Tuco gave it 8 paws up! From there we were off to the races. We launched with dog biscuits and recently added soft and chewy training treats. Our roadmap takes us into food and eventually to other species as well!

##### So why crickets?

From a high level perspective, Cricket protein checks off all of the boxes that pet owners are looking for (and some they don't even realize that they want) – nutrition (a superfood), sustainable (we save 200 gallons of water per bag of treats when compared to a like-size bag of beef treats), humane treatment of animals (crickets live 80% of their natural life), hypoallergenic (it is a new protein to most dogs and that means they have not developed allergies to it), taste (dogs love it), and safety (insects raised at clean indoor farms have been found to be free of common pathogens that plague the meat industry, e.g., E. coli, staph and listeria).

A bit more granularly, crickets, just like beef, are a complete protein. In fact, crickets provide more essential amino acids than beef (pound per pound). Amino acids are important for the body to be able to function well, repair muscles, etc.



### Quarterly Spotlight

**Anne Carlson | Founder & CEO**

In addition to this, cricket protein is an excellent source of taurine (important for both dogs and cats).

Cricket protein also delivers other benefits:




- High in omegas
- High in fiber
- High in vitamin B2 & B12
- High in iron, calcium, magnesium, potassium

Most animal protein sources do not contain fiber. What is particularly interesting about the cricket fiber is that it appears to be pre-biotic. For more on this, check out the University of Wisconsin’s study that showed eating crickets can help support the growth of beneficial gut bacteria and reduce inflammation in the body. This study was done on humans, and we are working on replicating the work with dogs. Stay tuned.

Having said ALL that, let’s focus on nutrition. You’ll see on our package that we call cricket protein “the sustainable superfood dogs love”. There’s a very good reason why we call it a superfood, and that’s because it delivers so much more than just protein.

## WHY CRICKETS

**Crickets are a sustainable superfood that dogs love – protein, good fat and a nutty flavor –just what your dog wants and needs.**

 Per 100grams		 Per 100grams		 Per 100grams	
Protein	31.0g	Protein	22.4g	Protein	18.7g
Omega 3	1.8g	Omega 3	0.04g	Omega 3	0.02g
Iron	9.5mg	Iron	3.5mg	Iron	0.9mg
Fiber	7.2g	Fiber	0g	Fiber	0g
Land	1.5sq m	Land	20sq m	Land	4.5sq m
Water	0.1L	Water	2200L	Water	230L
Feed	170g	Feed	1000g	Feed	250g
GHG*	0.1g	GHG*	285g	GHG*	30g

**\*GHG = Greenhouse Gas**



### Quarterly Spotlight

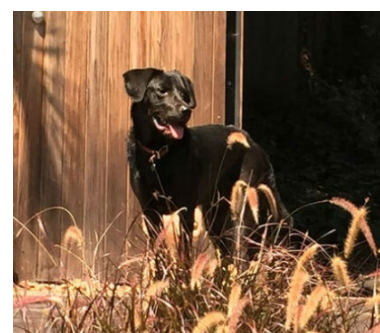
**Anne Carlson | Founder & CEO**

**So Jiminy's is obviously a very innovative pet treat [and food] company – tell us what make you differentiated?**

The cricket protein is definitely a key differentiator - delicious, nutritious, sustainable, humane and hypoallergenic.

Beyond cricket protein, our company purpose is also a differentiator. We take this seriously. We are committed to promoting long-term stewardship of the earth by:

- being a positive force for change
- making sustainable choices
- making humane choices
- being mindful of the bigger picture



**So where can we find Jiminy's now and what exciting things are on the horizon?**

You can find Jiminy's in over 350 independent pet specialty stores (in 40 states) across the US. The stores are listed on our website ([www.jiminy.com](http://www.jiminy.com)) on the "where to find us" page. We are launching with key distributors as we move into 2019 and anticipate the list will grow quickly!

One of the reasons why we're beginning to work through distributors is because we will be launching dog food later this year. With the food we are able to impact our dog's carbon pawprint in a truly meaningful way! If we convert a single dog from a beef diet to a cricket diet we save 4.5 million gallons of water per year (along with greenhouse gas reductions!)

Pet parents can feel great about giving their dogs our products. It's all upside and you can't say that often enough. It's good for the earth, low calorie and hypoallergenic. Dogs love it. I've said this before, but it's literally and figuratively, wagging tails all around!



## PET INDUSTRY REPORT Volume 11

### Public Market Overview

During the past year, MHT's pet industry index was up approximately 12.8%, compared to the S&P 500 Index, which was down 6%. While animal health companies have generally performed well, traditional pet products and 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 Eli Lilly, whose stocks were up approximately 92.8% and 35.6% over the last twelve months, respectively.

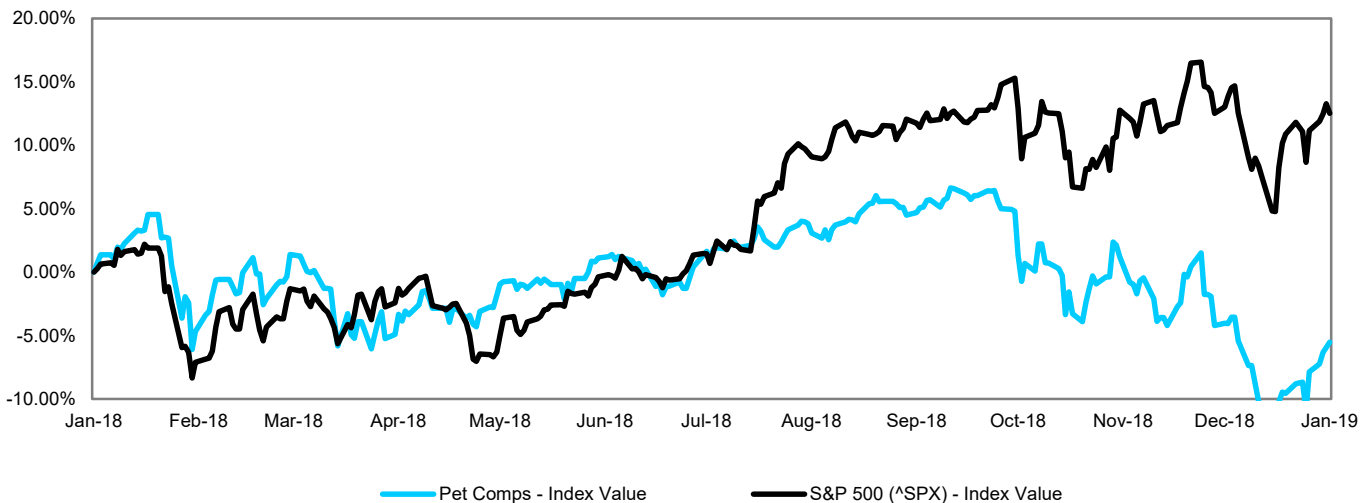
### Public Company Set

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

Company	Enterprise Value	Equity Value	Revenue		EBITDA		EV / Revenue			EV / EBITDA			PEG Ratio
			LTM	2019E	LTM	2019E	LTM	2019E	2020E	LTM	2019E	2020E	
<b>Pet Products</b>													
Central Garden & Pet Company	2,257	2,046	2,215	2,332	215	229	1.0x	1.0x	0.9x	10.5x	9.9x	9.3x	2.3
Freshpet, Inc.	1,250	1,251	185	192	9	20	6.7x	6.5x	5.2x	138.9x	61.5x	38.6x	5.1
OurPet's Company	22	20	28	29	2	--	0.8x	0.8x	0.7x	10.3x	--	--	0.7
<b>Pet Products Median</b>	<b>\$1,250</b>	<b>\$1,251</b>	<b>\$185</b>	<b>\$192</b>	<b>\$9</b>	<b>\$125</b>	<b>1.0x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>10.5x</b>	<b>35.7x</b>	<b>24.0x</b>	<b>2.3</b>
<b>Consumer Product Companies with Pet Lines</b>													
Nestlé S.A.	\$290,422	\$259,771	\$91,697	\$92,882	\$18,092	\$19,131	3.2x	3.1x	3.0x	16.1x	15.2x	14.3x	2.4
Colgate-Palmolive Company	59,641	53,618	15,625	15,521	4,358	4,351	3.8x	3.8x	3.8x	13.7x	13.7x	13.6x	3.5
Unicharm Corporation	18,251	18,430	5,941	6,280	1,110	1,174	3.1x	2.9x	2.7x	16.4x	15.5x	14.2x	2.9
Spectrum Brands Holdings, Inc.	6,857	2,730	3,146	3,711	500	549	2.2x	1.8x	1.8x	13.7x	12.5x	12.0x	2.3
Oil-Dri Corporation of America	196	201	265	--	25	--	0.7x	--	--	8.0x	--	--	--
<b>Consumer Products Median</b>	<b>\$18,251</b>	<b>\$18,430</b>	<b>\$5,941</b>	<b>\$10,901</b>	<b>\$1,110</b>	<b>\$2,763</b>	<b>3.1x</b>	<b>3.0x</b>	<b>2.8x</b>	<b>13.7x</b>	<b>14.4x</b>	<b>13.9x</b>	<b>2.4</b>
<b>Animal Health</b>													
Eli Lilly and Company	\$118,720	\$113,950	\$24,278	\$24,408	\$7,789	\$7,897	4.9x	4.9x	4.7x	15.2x	15.0x	14.1x	1.6
Zoetis Inc.	46,318	41,271	5,721	5,798	2,231	2,260	8.1x	8.0x	7.4x	20.8x	20.5x	18.3x	1.8
Virbac SA	1,799	1,199	997	995	129	133	1.8x	1.8x	1.7x	14.0x	13.6x	12.1x	2.3
Trupanion, Inc.	899	925	288	303	2	8	3.1x	3.0x	2.5x	440.1x	105.9x	65.0x	39.8
<b>Animal Health Median</b>	<b>\$24,058</b>	<b>\$21,235</b>	<b>\$3,359</b>	<b>\$3,396</b>	<b>\$1,180</b>	<b>\$1,197</b>	<b>4.0x</b>	<b>3.9x</b>	<b>3.6x</b>	<b>18.0x</b>	<b>17.8x</b>	<b>16.2x</b>	<b>2.1</b>

Source: Capital IQ

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



Note: chart is weighted by market capitalization.



## PET INDUSTRY REPORT Volume 11

### Pet M&A Overview – Select Transaction

#### R2P has Acquired Ultra Paws – July 2018

**Acquisition Type:** Strategic

**Transaction Size:** Not Disclosed

**Transaction Rationale and Notes:**



- R2P Pet known for their robust overseas manufacturing capability, but not for any one particular brand
- Ultra Paws offered a strong brand, strong patents, and a very loyal following
- R2P Pet knew acquiring this brand could strengthen their valuation during their own sell-side process
- R2P Pet ultimately sold to Hyper Pet in early January, 2019

### High Volume of M&A Transactions in the Pet Hard Goods Market

The last six months have seen a high volume of pet durables companies trading to strategic buyers. Transactions include the sale of Planet Dog to Outward Hound, Ultra Paws to R2P Pet, and Gen7Pets to Petmate, among others. Why the sudden uptick in interest from both buyers and sellers? In speaking to Alice Tillett, CEO of Petmate, pet product manufacturers are under continued pressure to grow and innovate or risk losing shelf space. She added that the addition of premium pet food to the FDM channel means that many pet owners are picking up their food at the grocery stores, which don't stock nearly as many durable pet products as pet specialty. As the saying goes, there is strength in numbers, and the smaller companies are under marketing and pricing pressures from behemoths like Amazon and Chewy and are finding it appealing to join forces with larger, better-financed pet companies.





# IN THE DEAL HOUSE



## PET INDUSTRY REPORT Volume 11

### 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.



a portfolio company of  
**BENFORD**  
CAPITAL PARTNERS LLC  
has been acquired by  
**CENTRAL**  
Garden & 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 – Operating Partner**  
[cfrank@mhtpartners.com](mailto:cfrank@mhtpartners.com)



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**  
[clawson@mhtpartners.com](mailto:clawson@mhtpartners.com)



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.