



PET INDUSTRY REPORT Volume 12

MARKET UPDATE

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Pet M&A continues to be active through the second half of 2019. Significant activity in the consumables and services sectors signal strong interest in the consolidation of these segments. The combination of an election year, the coronavirus, and trade wars may impact future M&A activity.

Select Pet M&A Activity

2/17/2020	Consumables	American Nutrition manufactures, packages, and distributes pet foods for dogs and cats was acquired by C. J. Foods
2/3/2020	Services	Lap of Love provides in-home end-of-life care for companion animals, offering hospice consultations, euthanasia, and aftercare services was acquired by Cortec Group
1/27/2020	Durables	Cardinal Laboratories manufactures and markets pet grooming products was acquired by Whitebridge Pet Brands
12/30/2019	Consumables	Halo, Purely For Pets produces and markets pet food, supplements, and grooming supplies was acquired by Better Choice Company
12/27/2019	Consumables	Ancestry Pet Food produces branded pet food was acquired by Health Extension Pet Care
12/5/2019	Services	PetFirst Healthcare operates as a pet insurance company was acquired by MetLife
12/2/2019	Consumables	sWheat Scoop produces natural cat litter was acquired by Targeted PetCare
12/2/2019	Services	Custer McDermott Animal Hospital provides medical, surgical, and dental services for animals was acquired by People, Pets and Vets
11/25/2019	Consumables	Premier Ag Resources (PAR) distributes nutritional ingredients, feed additives, and products for the pet food was acquired by Pestell Nutrition
10/30/2019	Consumables	Urine Off, Zorb-it-Up and Urine Buster Brands , a portfolio of pet odor and stain removal products, were acquired by Cosmos Corporation
10/28/2019	Services	Destination Pet provides animal care services, including boarding, styling, training, daycare, home care, and veterinary care services was acquired by LetterOne Holdings
8/20/2019	Consumables	Bayer Animal Health engages in researching and developing products for animal health and pest control products was acquired by Elanco Animal Health
6/17/2019	Services	National Veterinary Associates (NVA) is one of the largest veterinary and pet care services organizations announced a pending acquisition by JAB Investors

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Quarterly Spotlight

Michael Griggs | COO

Michael Griggs is the COO of Wag Hotels, Inc. The Company operates pet hotels which specialize in pet boarding, sitting, day spa, and care services. It provides kennels and boarding services for dogs and cats. The Company was founded in 2004 and is based in West Sacramento, California



An Interview with Michael Griggs by MHT Partners' Craig Lawson

The pet service space is rapidly growing and evolving what's your take on what's happening?

It's a very exciting time to be a part of the pet industry as a lot of things are changing. Care for dogs and cats is evolving from both a societal behavioral perspective as well as from a legislative standpoint (here in California we have the Animal Cruelty Law addressing animal rights and pet care). How one looks at pets now versus ten years from now is going to be night and day. In ten years, I fully believe doggy daycare will be looked at like very similarly as to how one views taking their child to daycare; it will be ubiquitous with dogs.

How did you get into the pet space?

Well, from a personal perspective, pets have been a part of my life for as long as I can remember. I grew up owning a golden retriever named Cuddles who was big part of my life. I served in the military and obviously didn't have a pet then, but I got one as soon as I got out. I now have an 11-year-old beagle terrier mix named Susie, who is a big part of my whole family's life. From a professional perspective, throughout my working life, I've continued to learn to lead (military, gym, retail, sales). I worked at Staples as an Area manager for five years, at that time Staples was struggling with the launch of Amazon-and it got me thinking, "what to do with my life?" After I left Staples, I had an opportunity to become an area manager for either Dick's Sporting Goods or Petsmart. While I love sports, the pet space was just too good to not pursue. While at Petsmart (2016-17), I saw Wag Hotels opening hotels on the peninsula (of the San Francisco Bay Area) and met with Wag Hotels owner, David. It was pretty clear, pretty quickly that we shared a common view of the industry and values - so I joined in May 2017 as COO.

What makes Wag Hotels differentiated?

We provide the highest level of care in the industry; each facility is specifically designed to allow pets to have a great time. Our facilities are luxurious but also built to keep dogs safe and having fun. We offer 24/7 service (you can drop your pet off, or pick them up, at 2 AM if you want). Presently we have nine hotels in three regions (Northern CA, LA and San Diego) and we're looking at other regions as well.

What do you see in Wag Hotels future?

We have worked extremely hard to get to this point and the growth opportunity is truly exciting. We're looking to continue to expand within our existing markets, to open up new geographic regions and to continue to serve as a leader in our space.



IN THE DEAL HOUSE



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Public Market Overview

During the past year, MHT's pet industry index performed in line with the S&P 500 Index. 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.

Public Company Set

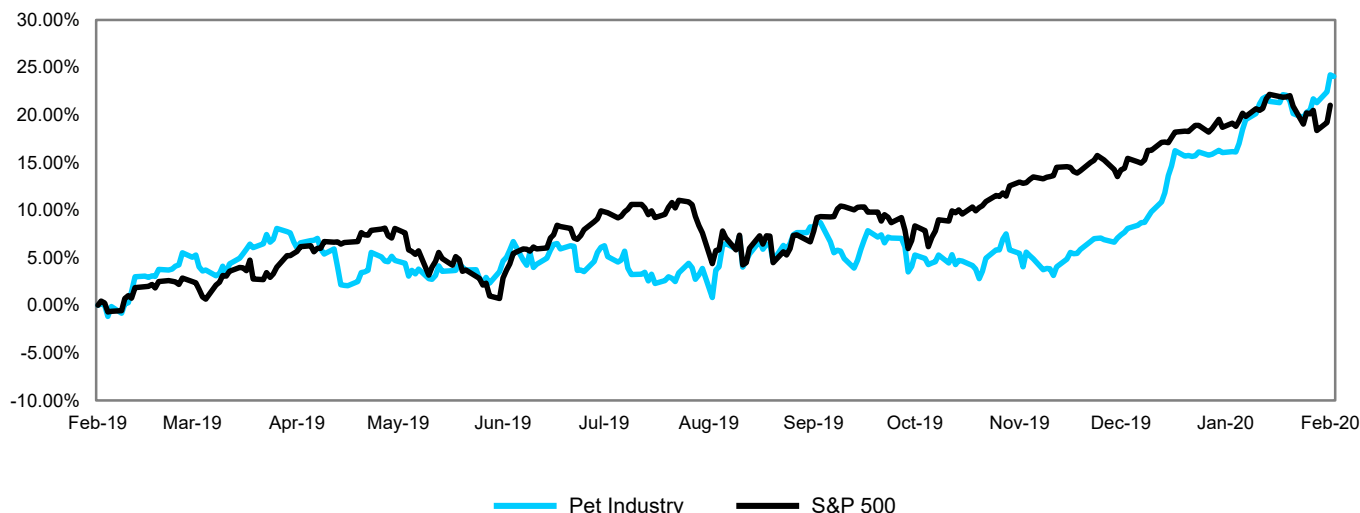
(\$ IN MILLIONS)

Company	Enterprise Value	Equity Value	Revenue		EBITDA		EV / Revenue			EV / EBITDA			PEG Ratio	
			LTM	2020E	LTM	2020E	LTM	2020E	2021E	LTM	2020E	2021E		
Pet Products														
Chewy, Inc.	\$11,262	\$11,181	\$4,580	\$4,838	(\$234)	(\$95)	2.5x	2.3x	1.8x	NM	NM	NM	NM	
Freshpet, Inc.	2,507	2,469	232	246	12	31	10.8x	10.2x	8.2x	206.9x	82.1x	45.5x		-
Central Garden & Pet Company	1,946	1,588	2,404	2,449	198	204	0.8x	0.8x	0.8x	9.8x	9.6x	9.3x		2.7
PetMed Express, Inc.	481	573	274	276	33	30	1.8x	1.7x	1.7x	14.8x	15.9x	14.7x		1.3
Pet Products Median	\$2,226	\$2,029	\$1,339	\$1,363	\$22	\$30	2.1x	2.0x	1.8x	14.8x	15.9x	14.7x		1.3
Consumer Product Companies with Pet Lines														
Nestlé S.A.	\$362,535	\$322,646	\$95,604	\$96,303	\$19,305	\$20,703	3.8x	3.8x	3.8x	18.8x	17.5x	17.1x		2.9
Colgate-Palmolive Company	73,674	66,292	15,693	16,416	4,121	4,356	4.7x	4.5x	4.3x	17.9x	16.9x	16.2x		5.0
The Clorox Company	23,958	20,974	6,133	6,221	1,285	1,291	3.9x	3.9x	3.8x	18.6x	18.6x	17.8x		6.4
Church & Dwight Co., Inc.	20,448	18,540	4,358	4,631	1,017	1,096	4.7x	4.4x	4.3x	20.1x	18.7x	17.7x		3.5
Unicharm Corporation	20,438	20,543	6,614	6,650	1,162	1,168	3.1x	3.1x	2.9x	17.6x	17.5x	15.8x		3.4
The J. M. Smucker Company	18,510	12,534	7,651	7,608	1,625	1,650	2.4x	2.4x	2.4x	11.4x	11.2x	11.2x		2.8
Spectrum Brands Holdings, Inc.	5,008	2,698	3,793	3,838	469	579	1.3x	1.3x	1.3x	10.7x	8.7x	8.4x		1.2
Oil-Dri Corporation of America	265	271	282	--	27	--	0.9x	--	--	9.9x	--	--		--
Consumer Products Median	\$20,443	\$19,542	\$6,373	\$6,650	\$1,224	\$1,291	3.4x	3.8x	3.8x	17.7x	17.5x	16.2x		3.2
Animal Health														
Eli Lilly and Company	\$154,008	\$139,709	\$22,320	\$23,951	\$6,979	\$8,715	6.9x	6.4x	6.1x	22.1x	17.7x	15.7x		1.9
Zoetis Inc.	72,712	67,896	6,150	6,231	2,416	2,615	11.8x	11.7x	10.9x	30.1x	27.8x	25.0x		3.4
Virbac SA	2,675	2,139	1,027	1,054	155	177	2.6x	2.5x	2.5x	17.2x	15.1x	13.9x		--
Trupanion, Inc.	1,189	1,192	361	383	3	10	3.3x	3.1x	2.6x	347.3x	113.7x	70.9x		--
Animal Health Median	\$37,694	\$35,018	\$3,589	\$3,643	\$1,286	\$1,396	5.1x	4.8x	4.3x	26.1x	22.7x	20.4x		0.9

Source: Capital IQ

High:	11.8	11.7	10.9	347.3	113.7	70.9	6.4
Mean:	4.1	4.1	3.8	51.5	27.9	21.4	2.3
Median:	3.2x	3.1x	2.9x	17.9x	17.5x	16.0x	2.7
Low:	0.8	0.8	0.8	9.8	8.7	8.4	--

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



Note: chart is weighted by market capitalization.



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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.



 a portfolio company of THOMPSON STREET CAPITAL PARTNERS has been acquired by BRANFORD CASTLE PARTNERS 	 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 a portfolio company of Frontenac 	 has been recapitalized by encorex consumer capital
 has been recapitalized by THOMPSON STREET CAPITAL PARTNERS 	 Animal Health International Excellence in Animal Health a portfolio company of Charlesbank CAPITAL PARTNERS LLC has acquired Kane Veterinary Supplies and Veterinarian's Outlet Incorporated 	 Animal Health International Excellence in Animal Health a portfolio company of Charlesbank CAPITAL PARTNERS LLC has acquired Veterinarian's Outlet of Sunnyside, Inc. and Cattleman's Supply Inc. 	 Animal Health International Excellence in Animal Health a portfolio company of Charlesbank CAPITAL PARTNERS LLC has acquired Paul E. Blackmer D.V.M., Inc. and Farm City Animal Supply

MHT PET INDUSTRY LEADERSHIP



Craig Lawson, Co-Founder and Managing Director | 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.