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Pet Industry M&A Update


May 2016

Pet Industry Update

- For YTD 2016, strategic buyers accounted for 79% of Pet Industry M&A transactions. During 2015, strategic buyers accounted for approximately 89% of the transactions.


- Notable recent M&A transactions:
 - CVC Capital Partners Limited and Canada Pension Plan Investment Board signed a definitive agreement to acquire PETCO Animal Supplies, Inc. for approximately \$4.6 billion.
 - Central Garden & Pet Company entered into an asset purchase agreement to acquire Dallas Manufacturing Company, Inc. for approximately \$61 million.
 - Patterson Companies, Inc. acquired Animal Health International, Inc. for approximately \$1.1 billion.
 - Renovo Capital and Summit Investment Management entered into an asset purchase agreement to acquire Dallas Manufacturing Company for approximately \$37 million.
 - Outward Hound, a Riverside portfolio Company, acquired Petstages, Inc. for an undisclosed amount.
 - Outward Hound, a Riverside portfolio Company, acquired Bionic for an undisclosed amount.

Peakstone Commitment to the Pet Industry



Petstages
outward
hound
raise the woof
Riverside

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BIONIC
outward
hound
raise the woof
Riverside

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 **INTEGRATIVE
PET CARE**
Private Investor
Group

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WAFRA
PARTNERS

PHELPS INDUSTRIES, INC.

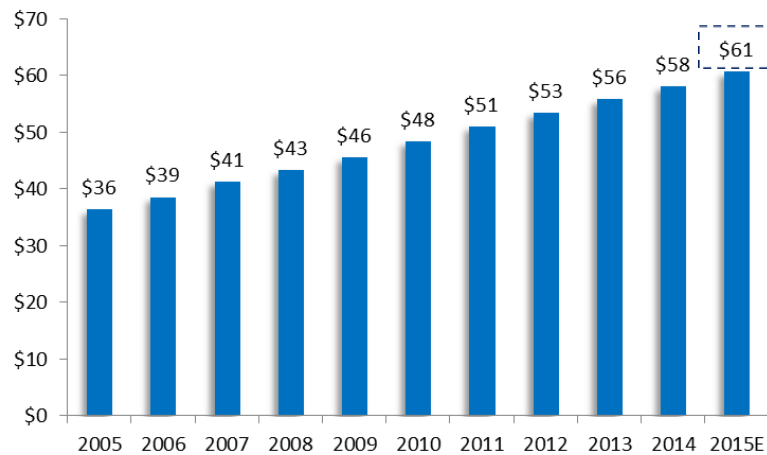
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Large & Growing Industry

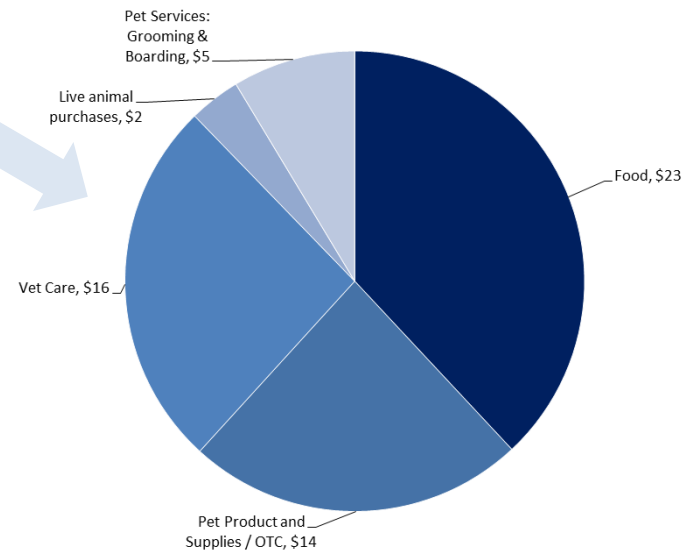
The pet industry has consistently grown through economic cycles; 3-5% growth forecasts in future

- Pet industry spending is expected to reach over \$60 billion in 2015
- 65% of U.S. households own a pet
- Forecasted annual growth of 3-5%

Total U.S. Pet Industry Expenditures (\$, in billions)



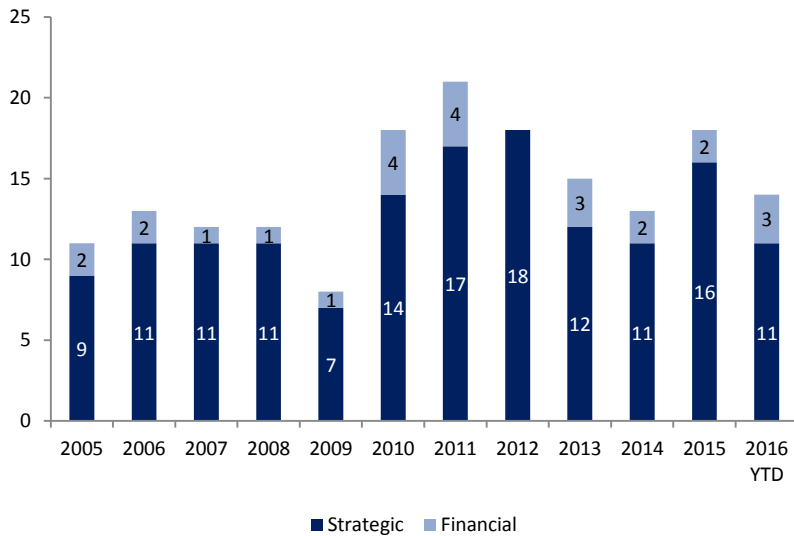
Estimated 2015 Sales within the U.S. Market (\$ in billions)



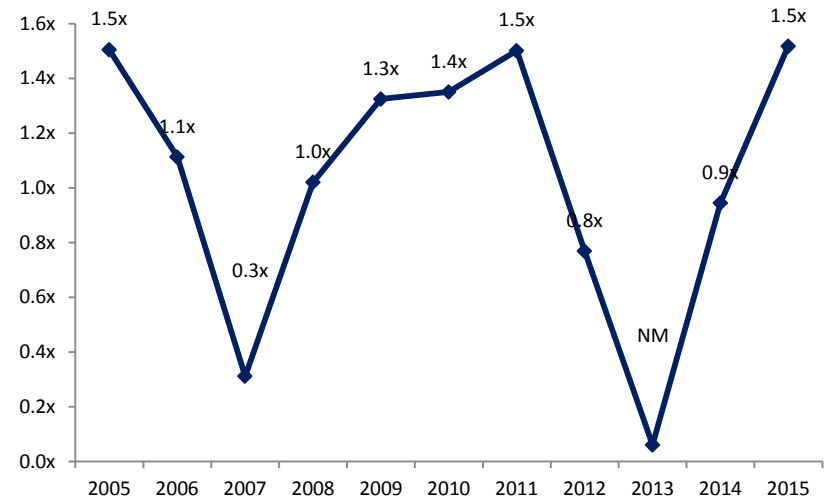
Pet Industry M&A Activity

Pet Industry transaction activity has been strong with favorable valuation trends

U.S. Pet Transactions by Buyer Type

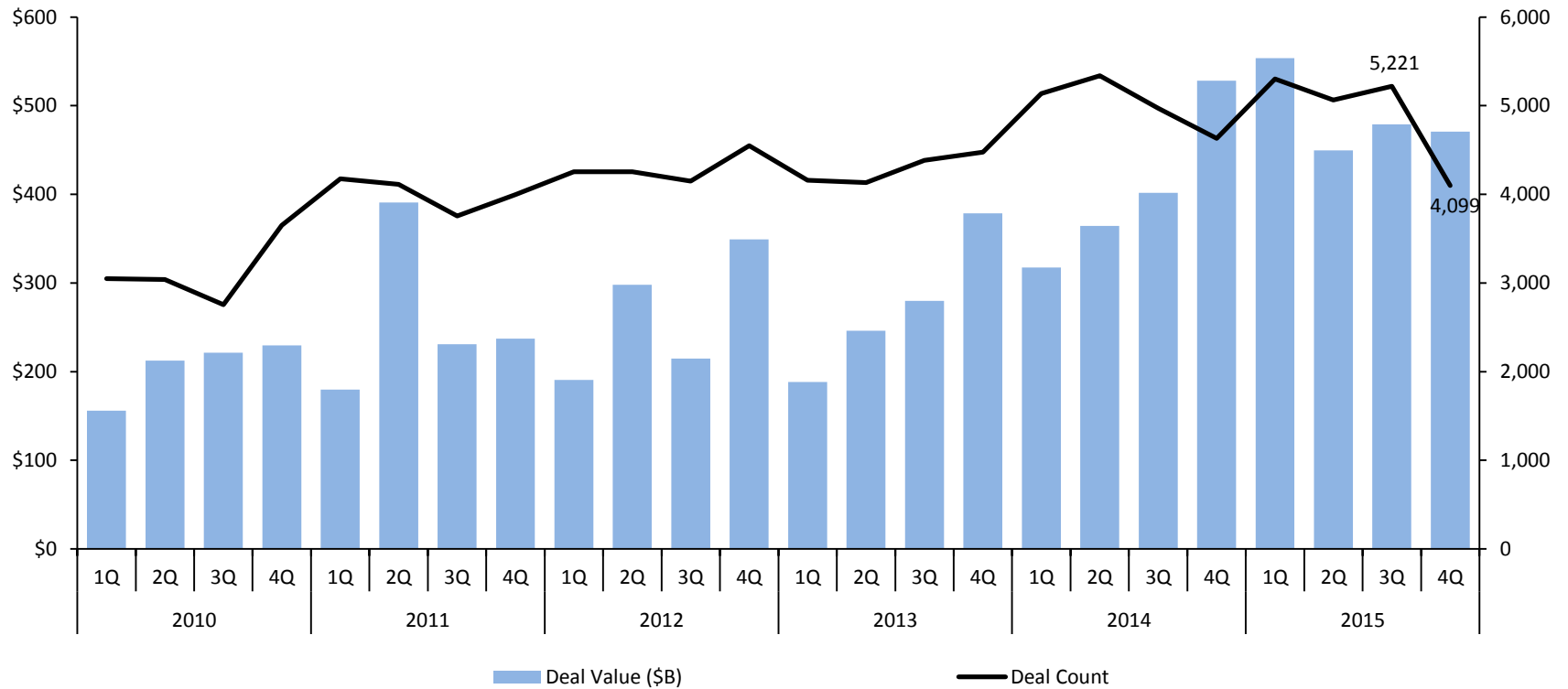


U.S. Pet Transaction EV / Revenue



Overall U.S. Middle Market M&A Activity

M&A Flow by Quarter



Selected Pet Industry Transactions

Selected Pet Industry Transactions

Date	Target/Issuer	Size (\$ mm)	Buyers/Investors	Transaction Comments
05/04/2016	ITS A PETS LIFE, Inc.	-	Bentley's Pet Stuff LLC	Bentley Pet Stuff, LLC along with Marcus Lemonis acquired It's a Pet Life from Dan Mechley on May 4, 2016.
04/08/2016	Dog-a-holics, Inc.	-	Bentley's Pet Stuff LLC	Bentley's Pet Stuff LLC and Marcus Lemonis acquired Dog-a-holics, Inc. on April 8, 2016. Pursuant to the deal, the staff of Dog-a-holics will continue to work at the combined business to assist with the expansion of the Bentley's Pet Stuff brand.
02/16/2016	The Pet Outpost, L.L.C.	-	Bentley's Pet Stuff LLC	Bentley's Pet Stuff along with Marcus Lemonis acquired The Pet Outpost from Sherri Losby on February 16, 2016. Subsequent to the acquisition, Sherri Losby will remain with the merged business.
01/19/2016	MariJ Agricultural, Inc.	\$1	Acacia Diversified Holdings, Inc. (OTCPK:ACCA)	Acacia Diversified Holdings, Inc. (OTCPK:ACCA) entered into an agreement to acquire substantially all of the assets of MariJ Agricultural, Inc. from Green RX LLC, Exslyent Enterprises, LLC, Love MTN Tops, LLC, Richard K. Pertile and others for \$1.1 million in stock on June 29, 2015.
01/07/2016	Gilt Groupe, Inc.	\$250	Hudson's Bay Company (TSX:HBC)	Hudson's Bay Company (TSX:HBC) entered into a definitive agreement to acquire Gilt Groupe Inc. from a group of shareholders for \$250 million in cash on January 7, 2016.
12/14/2015	Jarden Corp. (NYSE:JAH)	\$15,400	Newell Rubbermaid Inc. (NYSE:NWL)	Newell Rubbermaid Inc. (NYSE:NWL) entered into an agreement to acquire Jarden Corp. (NYSE:JAH) from The Vanguard Group, Inc., J.P. Morgan Investment Management Inc. and others for approximately \$15.4 billion on December 13, 2015.
11/23/2015	PETCO Animal Supplies, Inc.	\$4,600	CVC Capital Partners Limited; Canada Pension Plan Investment Board	Funds of CVC Capital Partners Limited and Canada Pension Plan Investment Board signed a definitive agreement to acquire PETCO Animal Supplies, Inc. from TPG Capital, L.P., Leonard Green & Partners, L.P., Freeman Spogli & Co. Incorporated, HarbourVest Partners, LLC and Stockwell Capital LLC for \$4.6 billion on November 23, 2015.
11/19/2015	National Consumer Outdoors Corporation	\$61	Central Garden & Pet Company (NasdaqGS:CENT)	Central Garden & Pet Company (NasdaqGS:CENT) entered into an asset purchase agreement to acquire Dallas Manufacturing Company, Inc. from Malibu Lighting Corporation for \$61 million in cash on November 12, 2015.
11/18/2015	Southside Animal Hospital	-	Southern Veterinary Partners, LLC	Southern Veterinary Partners, LLC acquired Southside Animal Hospital on November 18, 2015.
10/15/2015	Petstages, Inc	-	Outward Hound	Outward Hound acquired Petstages, Inc on October 15, 2015. Crescent Direct Lending and Babson Capital Management provided financing for the transaction. Deloitte acted as financial advisor and Joseph Hatina of Jones Day acted as legal advisor to The Riverside Company. The Peakstone Group and Meadow Lane Capital LLC acted as financial advisor to Petstages, Inc.
08/31/2015	The Choosy Pet LLC	-	ZGenders, LLC	Ballerinas And Bruisers agreed to acquire The Choosy Pet, LLC from family on August 31, 2015. The pet food will be available at Ballerinas and Bruisers beginning September 15, 2015. Choosy Pet will remain open through September 25, 2015 and will hold a retirement/moving sale.
08/17/2015	zulily, LLC	\$2,476	QVC, Inc.	QVC, Inc. entered into a definitive agreement to acquire zulily, Inc. (NasdaqGS:ZU) from Trinity X, LP, fund of Trinity Ventures, MeriTech Capital Partners, Lake Tana LLC, Alibaba Group Holding Limited (NYSE:BABA), Andressen Horowitz LLC, Greenspring Associates, Inc. and other shareholders for \$2.4 billion on August 16, 2015.
06/01/2015	Quabaug Corporation	-	Vibram USA Inc.	Vibram USA Inc. acquired Quabaug Corporation on June 1, 2015. Vibram USA and Quabaug would do business as Quabaug Vibram Innovation (QVI).
05/07/2015	Equi-Pharm LLC	-	Cannabis Science, Inc. (OTCPK:CBIS)	Cannabis Science, Inc. (OTCPK:CBIS) acquired Equi-Pharm LLC on May 7, 2015.
05/07/2015	Judd Miller & Co., Inc.	-	-	Marcia Miller family agreed to acquire remaining unknown minority stake in Judd Miller & Co., Inc. from Lineage Capital, L.P., managed by Lineage Capital, LLC on May 7, 2015. Pursuant to the transaction, Marcia Miller will own 100% stake in Judd Miller & Co., Inc.
05/04/2015	Animal Health International, Inc.	\$1,100	Patterson Companies, Inc. (NasdaqGS:PDCCO)	Patterson Companies, Inc. (NasdaqGS:PDCCO) entered into an agreement to acquire Animal Health International, Inc. from Leonard Green & Partners, L.P., Green Equity Investors V, L.P. and others for \$1.1 billion in cash on May 2, 2015.

Selected Pet Industry Transactions (continued)

Selected Pet Industry Transactions

Date	Target/Issuer	Size (\$ mm)	Buyers/Investors	Transaction Comments
04/27/2015	Woodstream Corporation	-	Vestar Capital Partners, Inc.	Vestar Capital Partners, Inc. signed a definitive agreement to acquire Woodstream Corporation from Brockway Moran & Partners, Inc. and CHS Capital on April 27, 2015.
04/14/2015	Pet Supermarket, Inc.	-	Roark Capital Group	Roark Capital Partners, L.P. fund of Roark Capital Group entered into an agreement to acquire Pet Supermarket, Inc. from Charles E. West Jr. on April 14, 2015.
03/31/2015	PetSuites of America, LLC	-	National Veterinary Associates, Inc.	National Veterinary Associates, Inc. acquired PetSuites of America, LLC from River Cities Fund III, L.P. (SBIC) of River Cities Capital Funds and First Avenue Partners II, L.P. of First Avenue Partners and others in
03/27/2015	SkyMaII, LLC	\$2	C&A Marketing Inc.	C&A Marketing Inc. won an auction to acquire the assets of SkyMaII, LLC from Xhibit Corp. (OTCPK:XBTC.Q) for \$1.9 million in cash and notes on March 25, 2015.
03/10/2015	Orabrush, Inc.	-	DenTek Oral Care, Inc.	DenTek Oral Care, Inc. acquired assets of Orabrush, Inc. on March 10, 2015.
02/05/2015	doggyloot, Inc.	-	The FamilyPet Network	The FamilyPet Network acquired doggyloot, LLC in January 2015. doggyloot, LLC will continue to operate as a separate entity and will be headquartered out of the main offices of the FamilyPet Network.
01/29/2015	Snaptracs, Inc.	-	Whistle Labs, Inc.	Whistle Labs, Inc. acquired Snaptracs, Inc from Karmel Capital and Qualcomm Technologies, Inc. on January 29, 2015.
01/23/2015	RDB Investments, Inc.	-	Pet Valu, Inc.	Pet Valu, Inc. acquired Rdb Investments, Inc. in December 2014. The acquisition also includes Jack's Pets e-commerce division, Pet Solutions. Jack's Pets will become the Midwest division of Pet Valu, and Jack's Pets president Scott Brenner has been named vice president of Midwest Operations for Pet Valu and Chris Brenner, will be senior director of e-commerce.
01/13/2015	Bionic Pet Products Inc.	-	Outward Hound	Outward Hound acquired Bionic Pet Products on January 13, 2015. Steve Luhrs, President of Bionic Pet Products will be working with Outward Hound. Ares Capital provided financing for the transaction. Brad Curtis of The Peakstone Group acted as financial advisor.
12/14/2014	PetSmart, Inc.	\$8,936	BC Partners; GIC Special Investments Pte. Ltd.; Caisse de dépôt et placement du Québec; Longview Asset Management, LLC; StepStone Group LP; BC European Capital IX-1 L.P.	BC Partners, StepStone Group LP, Caisse de dépôt et placement du Québec, GIC Special Investments Pte. Ltd. and Longview Asset Management, LLC signed an agreement to acquire PetSmart, Inc. (NasdaqGS:PETM) from Longview Asset Management, LLC, JANA Partners LLC, Fidelity Management & Research Company, James A. Star, Paula H. Crown and other shareholders for \$8.4 billion in cash on December 14, 2014.
11/27/2014	Pugs, Inc.	-	Pugs Holdings, LLC	Pugs Holdings, LLC acquired the assets of Pugs Inc. on November 14, 2014.
11/19/2014	Drs. Foster & Smith, Inc.	-	PETCO Animal Supplies, Inc.	PETCO Animal Supplies, Inc. has entered into an agreement to acquire Drs. Foster and Smith, Inc. on November 19, 2014. The management of the company, including founding veterinarians Race Foster and Marty Smith, are expected to remain after the deal closes. Drs. Foster & Smith also will maintain its corporate headquarters and distribution facility in Rhinelander.
10/02/2014	Old Time Pottery Inc.	-	Comvest Partners	ComVest Investment Partners IV, L.P., a fund of Comvest Partners, acquired Old Time Pottery Inc. on October 2, 2014.
09/23/2014	UltiMed, Inc.	-	LDI Ltd., LLC	LDI Ltd., LLC acquired UltiMed, Inc. on August 29, 2014. The management team will remain in place.
09/16/2014	Pedigree Perfection International, Inc.	-	Ultra Paws, LLC	Ultra Paws, Inc. acquired Pedigree Perfection International, Inc. on September 16, 2014. Pedigree Perfection International was a family-owned business.
09/03/2014	Best Friends Pet Care, Inc.	-	Belvoir Investments Corporation	Belvoir Investments Corporation acquired Best Friends Pet Care, Inc. from Webster Capital and Chief Executive Officer, Shane Kelly on September 3, 2014.
08/19/2014	Pet360 Inc.	\$160	PetSmart, Inc.	PetSmart, Inc. (NasdaqGS:PETM) signed a definitive agreement to acquire Pet360, Inc. from Uptada Partners, LLR Partners Inc. and others for approximately \$160 million on August 19, 2014. PetSmart will pay \$130.4 million upfront and additional \$30 million based on financial performance by the end of 2016.
07/02/2014	Vitacost.com, Inc.	\$281	The Kroger Co. (NYSE:KR)	The Kroger Co. (NYSE:KR) entered into a definitive merger agreement to acquire Vitacost.com, Inc. (NasdaqGS:VITC) for approximately \$270 million in cash on July 1, 2014. Kroger will purchase all outstanding shares of Vitacost.com for \$8.00 per share in cash.

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Peakstone is an investment bank that specializes in mergers and acquisitions advisory and capital raising for middle market clients. Our team is comprised of senior investment banking professionals who have decades of experience and have executed hundreds of transactions totaling billions of dollars. For additional information, visit www.peakstone.com or contact Carolyn Henson at chenson@peakstone.com or 312-204-7300.