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Pet Industry Insight

November 2018

Pet M&A Update

Pet categories continue to see strong M&A activity

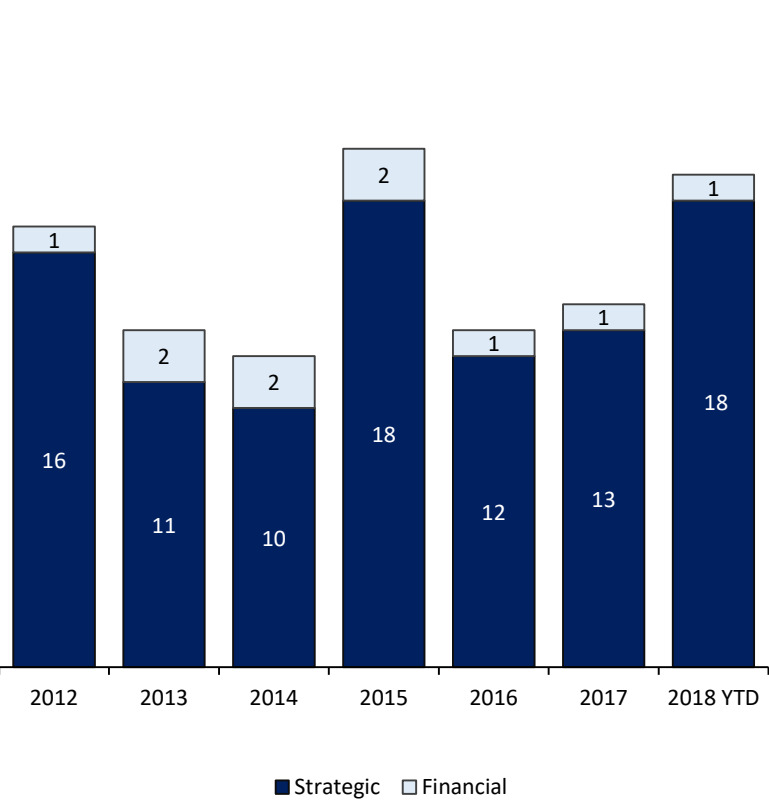
In 2018 YTD, strategic buyers accounted for 83% of the Pet M&A transactions with financial buyers making up the difference; during 2016, strategic buyers accounted for approximately 93% of the transactions

Select Recent Notable Publicly Announced M&A Transactions			
Status	Target	Transaction Size	Buyer
Closed		\$1.90 billion	
Announced		\$2.33 billion	
Closed		\$8.33 billion	
PEAKSTONE Closed		Undisclosed	 Riverside
PEAKSTONE Closed		Undisclosed	 Riverside

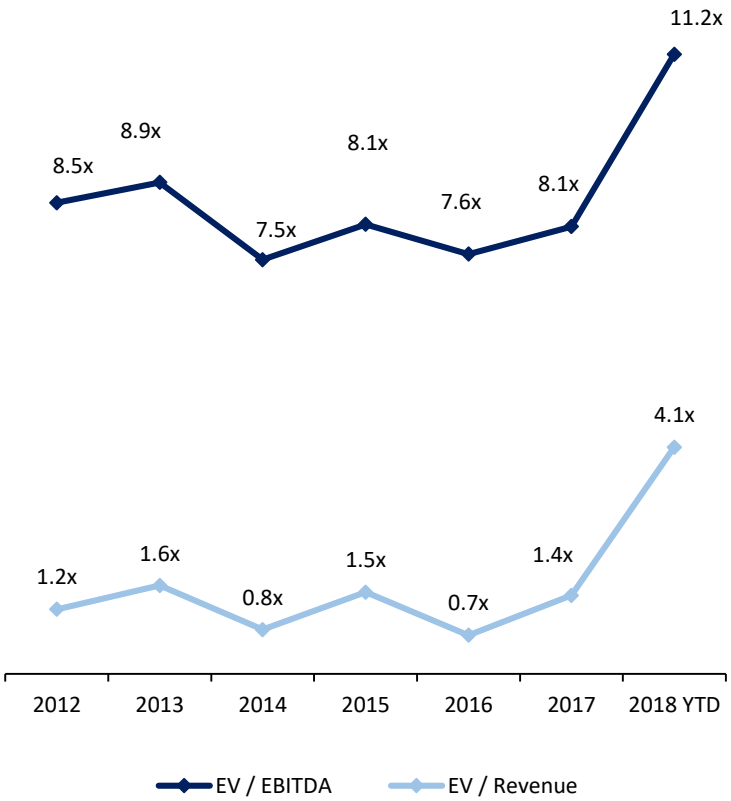
U.S. Pet Industry – M&A Market Overview

U.S. Pet transaction activity has been strong with favorable valuation metrics

U.S. Number of Transactions by Buyer Type



U.S. Pet Transaction Multiples

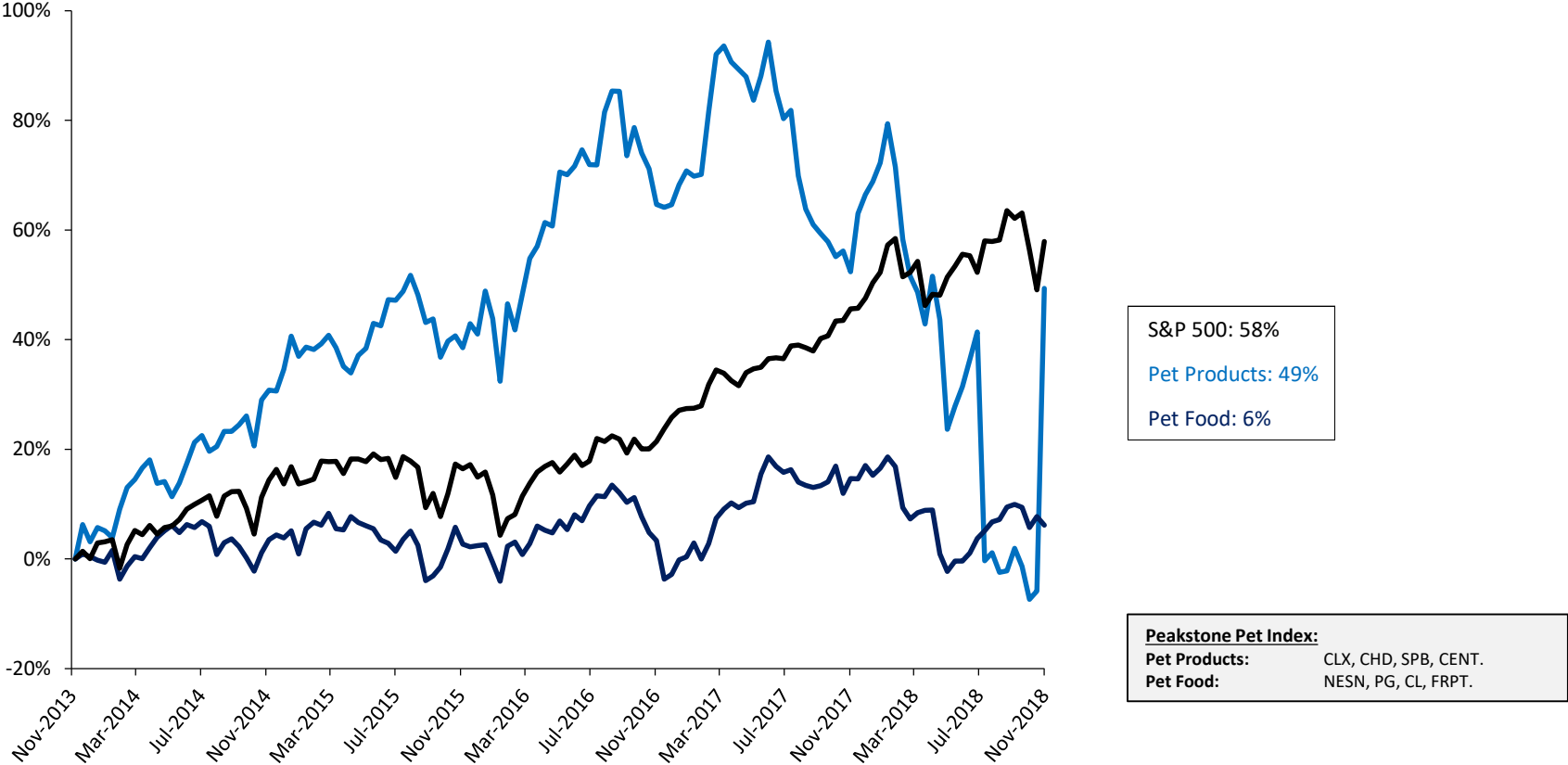


Source: Capital IQ, data as November, 2018.

Peakstone Pet Index - Trading Statistics

Some Pet categories have performed well compared to the S&P 500

Relative Stock Performance

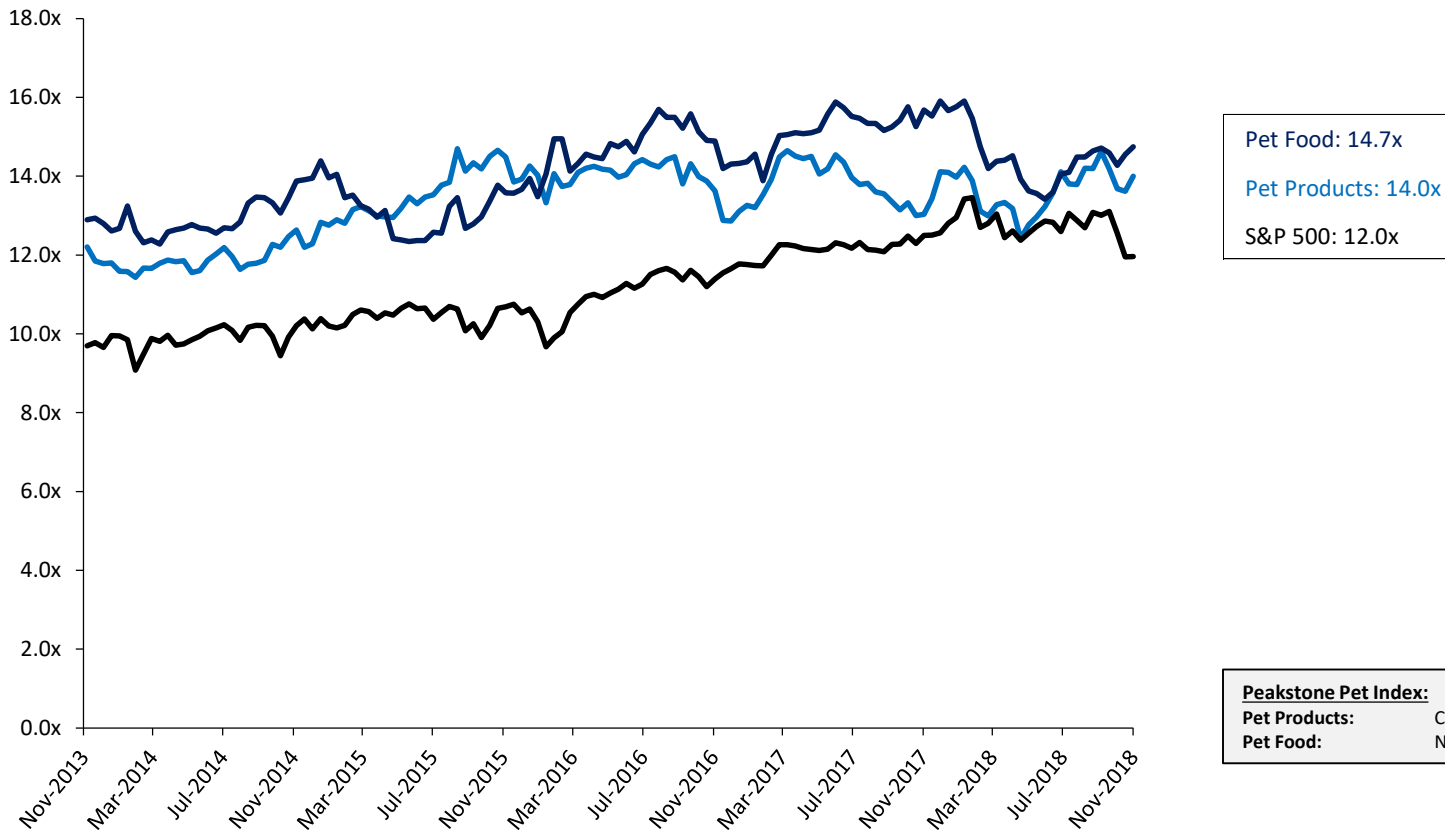


Source: Capital IQ, data as November, 2018.

Peakstone Pet Index - Trading Statistics


Some Pet categories have performed well compared to the S&P 500

Comparable Valuation Trends – Enterprise Value / EBITDA



Source: Capital IQ, data as November, 2018.

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

M&A Advisor
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WAFRA
PARTNERS

PHELPS INDUSTRIES, INC.

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Selected Public Trading Comparables

Selected Public Trading Comparables

(\$ in millions)

Company Name	Market Cap	Enterprise Value	Enterprise Value /			Forward P/E Ratio	Gross Margin %	EBITDA Margin %
			Revenue	EBITDA	EBIT			
Pet Products								
The Clorox Company	\$20,255	\$22,658	3.7x	17.5x	20.0x	24.8x	43%	21%
Church & Dwight Co., Inc.	\$16,278	\$18,195	4.4x	18.9x	22.1x	28.3x	45%	23%
Central Garden & Pet Company	\$1,721	\$2,209	1.0x	10.5x	13.4x	17.2x	31%	10%
Spectrum Brands Legacy, Inc.	\$0	\$0	0.0x	0.0x	0.0x	0.0x	37%	16%
Pet Products Median	\$9,000	\$10,202	2.3x	14.0x	16.7x	21.0x	40%	18%
Pet Food								
Nestlé S.A.	\$259,106	\$289,266	3.2x	15.4x	18.4x	20.4x	50%	20%
The Procter & Gamble Company	\$227,441	\$248,694	3.7x	14.1x	16.8x	20.4x	50%	26%
Colgate-Palmolive Company	\$53,193	\$59,216	3.8x	13.6x	15.3x	20.6x	60%	28%
Freshpet, Inc.	\$1,236	\$1,235	6.7x	135.8x	NM	130.0x	46%	5%
Pet Food Median	\$140,317	\$153,955	3.8x	14.7x	16.8x	20.5x	50%	23%
Total Pet Median	\$18,267	\$20,426	3.7x	14.7x	16.8x	20.5x	46%	20%

Source: Capital IQ, data as November, 2018.

Selected Pet Industry Transactions

Selected Pet Transactions

Target / Issuer	Transaction Size (\$mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
Sam Tucker, LLC	\$18	Culp, Inc. (NYSE:CULP)	-	Culp, Inc. (NYSE:CULP) signed a definitive agreement to acquire 80% stake in Sam Tucker, LLC from Paul Saunders, founder and Chief Executive Officer of Sam Tucker, LLC on June 13, 2018.
Ainsworth Pet Nutrition Parent, LLC	\$1,900	NU Pet Company	-	NU Pet Company entered into a definitive agreement to acquire Ainsworth Pet Nutrition, LLC from L Catterton and the Lang Family for \$1.9 billion on April 4, 2018.
Spectrum Brands Legacy, Inc.	\$2,336	Spectrum Brands Holdings, Inc. (NYSE:SPB)	11.2x	HRG Group, Inc. (NYSE:HRG) entered into a definitive agreement to acquire remaining 40.67% stake in Spectrum Brands Holdings, Inc. (NYSE:SPB) for approximately \$2.3 billion on February 24, 2018.
Blue Buffalo Pet Products, Inc.	\$8,326	General Mills, Inc. (NYSE:GIS)	25.6x	General Mills, Inc. (NYSE:GIS) entered into an agreement to acquire Blue Buffalo Pet Products, Inc.
Omega Protein Corporation	\$509	Cooke Inc.	8.1x	Cooke Inc. signed a definitive agreement to acquire Omega Protein Corporation (NYSE:OME) ('Omega') for approximately \$500 million on October 5, 2017.
Petmatrix, LLC	\$255	Spectrum Brands Legacy, Inc.	-	Spectrum Brands Holdings, Inc. (NYSE:SPB) signed a definitive agreement to acquire Petmatrix, LLC for approximately \$260 million on April 26, 2017.
Crosswind Industries, Inc.	\$81	Archer-Daniels-Midland Company (NYSE:ADM)	-	Archer-Daniels-Midland Company (NYSE:ADM) signed an agreement to acquire Crosswind Industries, Inc. on January 10, 2017.

Source: Capital IQ.

Peakstone Momentum

  M&A Advisor PEAKSTONE	 Every Mattress Needs Protection™ CENTRE LANE PARTNERS  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	 Truly local. honestly fresh. Strategic Investor M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE
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About Peakstone

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.

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