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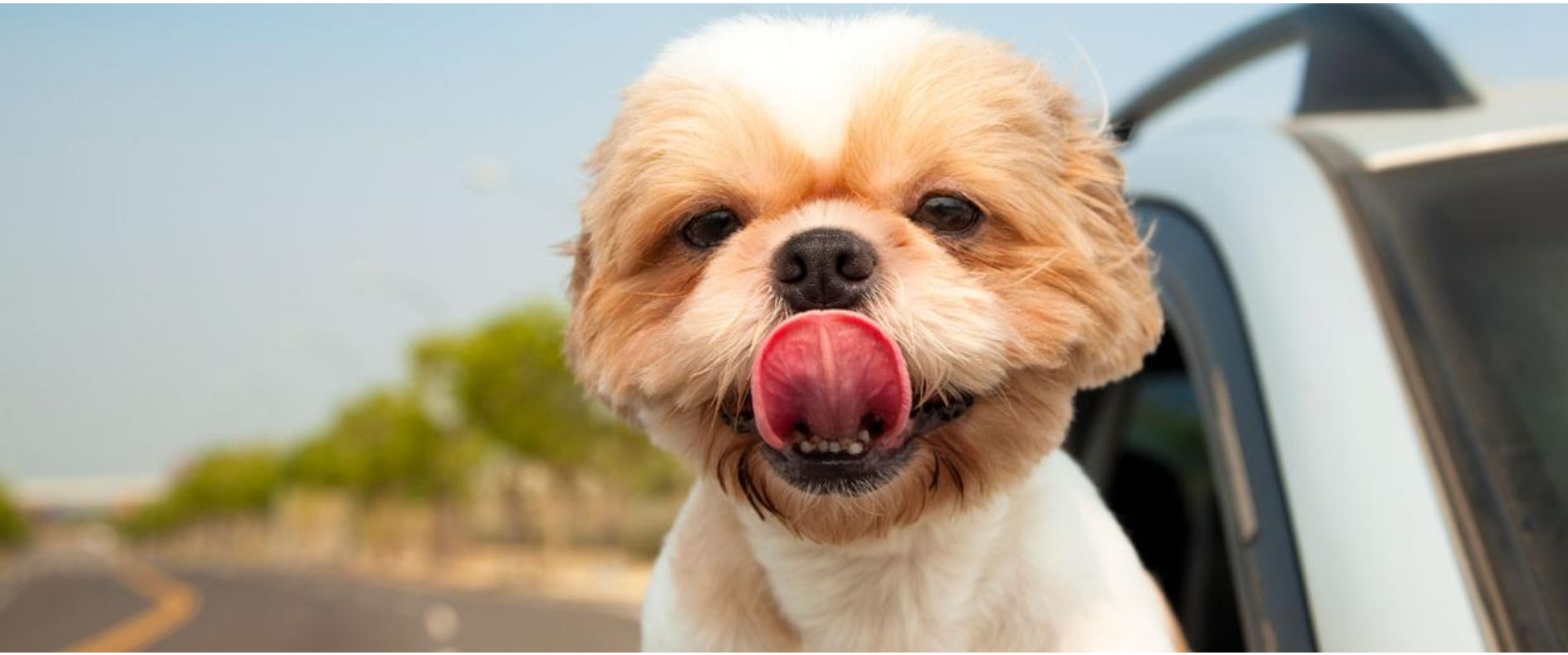


Pet
Industry Insight

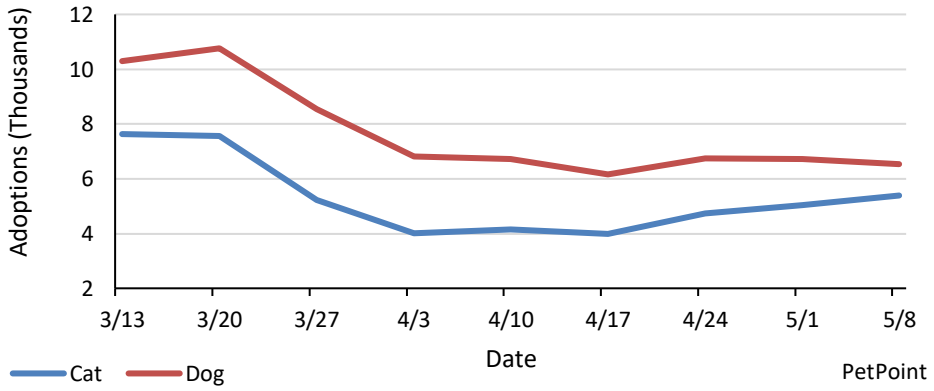
June 2020

U.S. Pet Industry – COVID-19 Impact

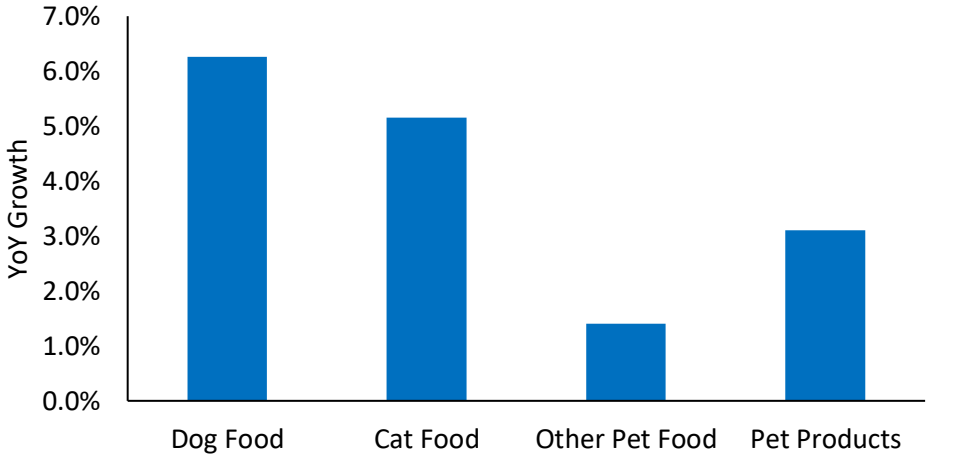
Overview

- Sales declines and slowdowns across all market sectors, with non-medical pet services ($10 billion sector) taking the sharpest hit, and pet food holding up best as a "must-have" staple with a strong healthcare component
- A further surge in online shopping for pet products, as pet owners flock to the Internet for home delivery or curbside/parking lot pickup from brick-and-mortar pet stores and veterinarians
- Private-label sales have surged as cash-strapped pet owners facing months if not years of economic uncertainty, and a demand-driven uptick in store-brand production
- There is a silver lining of increased dog and cat ownership among households eager for the emotional support and physical comfort pets provide in this stay-at-home era
- Pet Industry has been successfully fulfilling rapid spikes in demand without experiencing supply chain disruption during COVID-19

PetPoint Weekly Adoptions During COVID-19 Outbreak (2020)



2008 - 2009 Global Pet Care Growth by Category



Euromonitor International

Pet M&A Update

Pet categories continue to see strong M&A activity

In 2019, strategic buyers accounted for 82% of Pet M&A transactions while financial buyers making up the difference. During 2018, strategic buyers accounted for approximately 97% of the transactions.

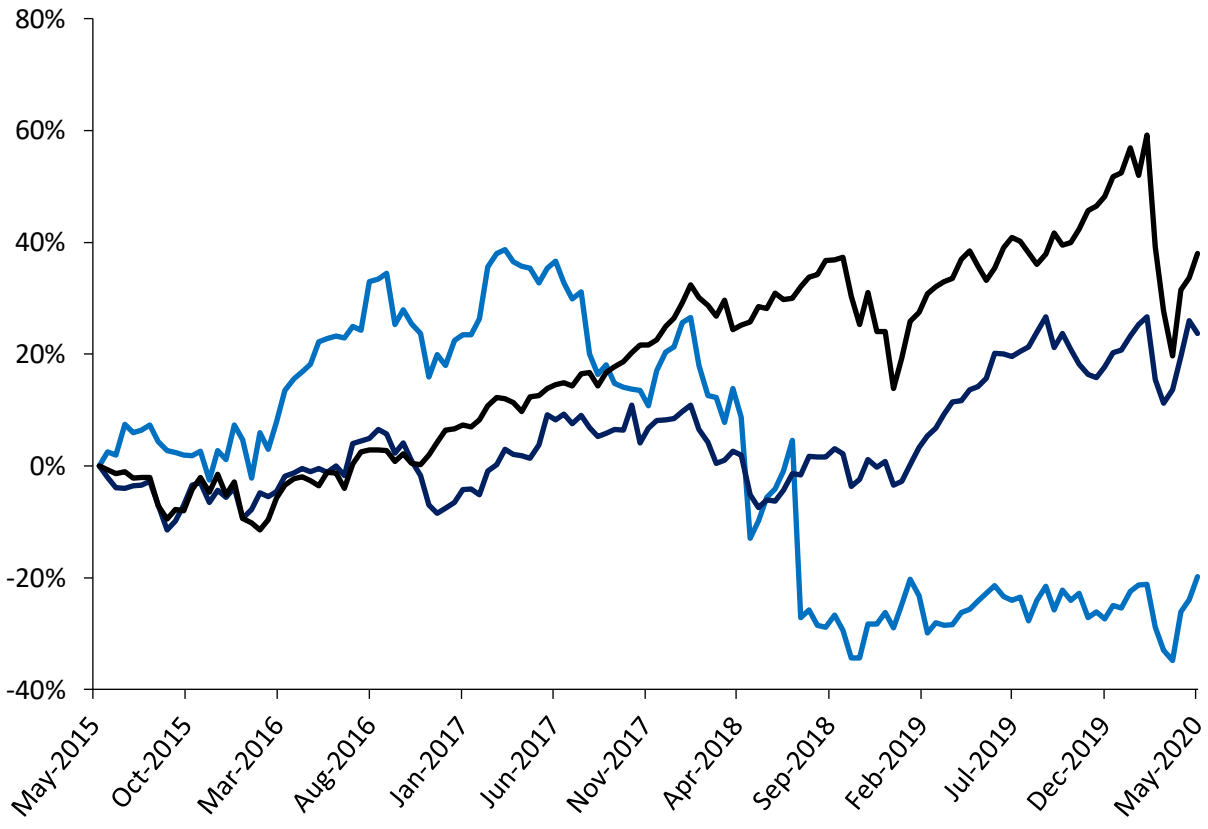
Select Recent Notable Publicly Announced M&A Transactions

Date	Status	Target	Transaction Size	Buyer
Jan-2020	Closed		$12 million	DARLING INGREDIENTS INC.
Oct-2019	Closed	HALO	$47 million	BETTER CHOICE COMPANY
Aug-2019	Closed	C&S PRODUCTS CO. INC.	$30 million	CENTRAL Garden & Pet
May-2019	Closed	Sergeant's	$186 million	PETIQ
Apr-2018	Closed	Ainsworth PET NUTRITION	$1.9 billion	SMUCKER'S FOODSERVICE

Peakstone Pet Index - Trading Statistics

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

Relative Stock Performance



S&P 500: 38%

Pet Food: 24%

Pet Products: -20%

Peakstone Pet Index:

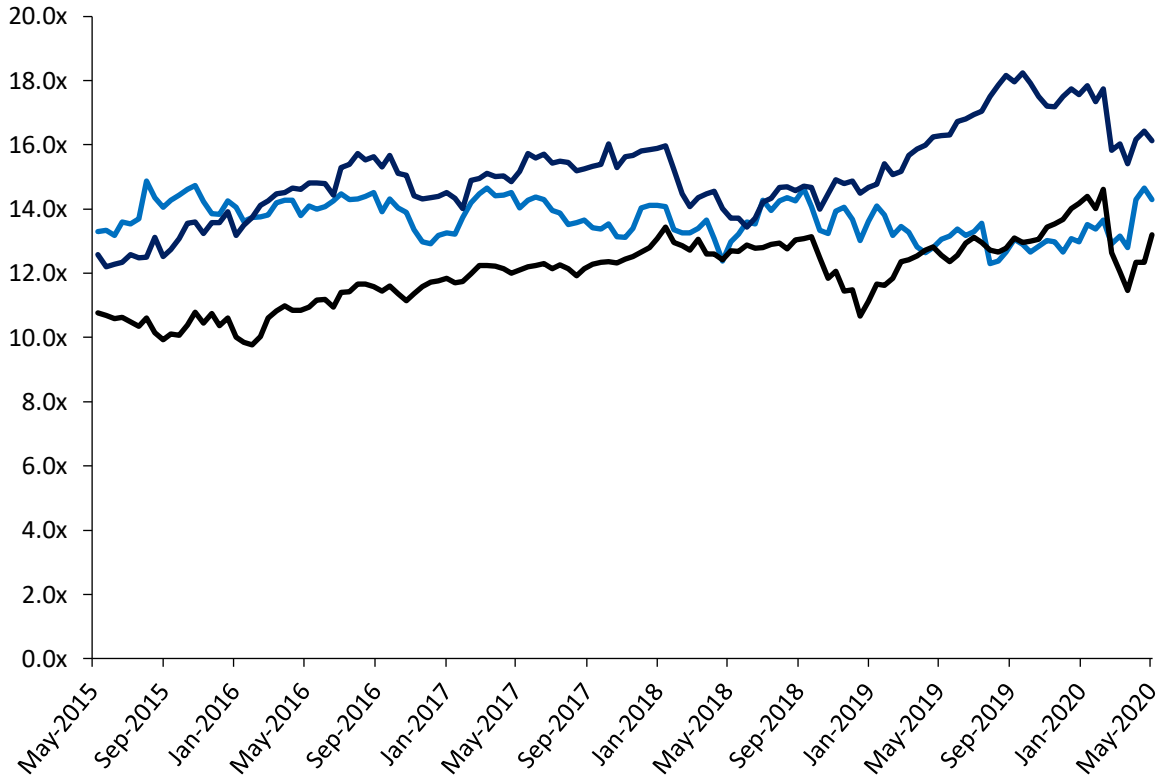
Pet Products:	CLX, CHD, SPB, CENT.
Pet Food:	NESN, PG, CL, FRPT.

Source: Capital IQ,.

Peakstone Pet Index - Trading Statistics

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

Comparable Valuation Trends – Enterprise Value / EBITDA



Pet Food: 16.1x

Pet Products: 14.3x

S&P 500: 13.2x

Peakstone Pet Index:

Pet Products:	CLX, CHD, SPB, CENT.
Pet Food:	NESN, PG, CL, FRPT.

Source: Capital IQ,.

Selected Public Trading Comparable

Selected Public Trading Comparables

($ in millions) Company Name	Stock Price	% of 52-week High	Market Cap	Enterprise Value	Enterprise Value / Revenue	Enterprise Value / EBITDA	Enterprise Value / EBIT	Forward P/E Ratio	Gross Margin %	EBITDA Margin %
Pet Products										
The Clorox Company	206.25	96%	$25,974	$28,760	4.5x	19.6x	24.3x	29.2x	45%	21%
Church & Dwight Co., Inc.	75.07	93%	$18,459	$20,360	4.5x	18.9x	22.9x	27.6x	46%	23%
Central Garden & Pet Company	36.69	98%	$1,904	$2,370	1.0x	9.4x	15.9x	21.8x	29%	8%
Pet Products Median	**$75.07**	**96%**	**$10,182**	**$11,365**	**2.7x**	**14.2x**	**19.4x**	**24.7x**	**41%**	**19%**
Pet Food										
Nestlé S.A.	108.03	92%	$311,128	$340,215	3.5x	16.0x	19.4x	23.5x	50%	20%
The Procter & Gamble Company	115.92	90%	$286,976	$309,785	4.4x	16.0x	19.3x	22.8x	51%	27%
Colgate-Palmolive Company	72.33	93%	$61,953	$69,356	4.4x	15.9x	18.9x	25.2x	60%	26%
Freshpet, Inc.	77.18	95%	$3,108	$2,948	11.3x	156.4x	NM	NM	46%	7%
Pet Food Median	**$108.03**	**92%**	**$174,465**	**$189,571**	**4.4x**	**16.0x**	**19.3x**	**23.5x**	**50%**	**23%**

Source: Capital IQ.

Selected Pet Industry Transactions

Selected Pet Transactions

Date	Target / Issuer	Transaction Size ($mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
01/02/2020	EnviroFlight, LLC	$12	Darling Ingredients Inc. (NYSE:DAR)	-	Darling Ingredients Inc. (NYSE:DAR) entered into an agreement to acquire an additional 50% stake in EnviroFlight, LLC from Intrexon Corporation (NasdaqGS:XON) for $12.2 million on January 2, 2020.
10/16/2019	Halo, Purely For Pets, Inc.	$47	Better Choice Company Inc. (OTCPK:BTTR)	-	Better Choice Company Inc. (OTCPK:BTTR) signed an definitive agreement to acquire Halo, Purely For Pets, Inc. from HH-Halo LP and Thriving Paws, LLC for $40 million on October 15, 2019.
09/09/2019	Green Plains Cattle Company LLC	$77	StepStone Group LP; AGR Partners	-	Tgam Agribusiness Fund-B Lp, managed by AGR Partners and StepStone Atlantic Fund, L.P., managed by StepStone Group LP and others signed an agreement to acquire 50% stake in Green Plains Cattle Company LLC from Green Plains Inc. on September 9, 2019.
08/02/2019	C&S Products Company, Inc.	$30	Central Garden & Pet Company (NasdaqGS:CENT)	-	Central Garden & Pet Company (NasdaqGS:CENT) acquired C&S Products Company, Inc. for approximately $30 million in May 2019. Subsequent to the acquisition, approximately $4.7 million of cash was used to eliminate the acquired long-term debt.
05/08/2019	Sergeant's Pet Care Products, Inc.	$186	Petiq, LLC	-	Petiq, LLC entered into a purchase and sale agreement to acquire Sergeant's Pet Care Products, Inc. from L. Perrigo Company Inc. approximately $190 million on May 8, 2019.
12/19/2018	OurPet's Company	$23	Hyper-Pet LLC	10.0x	Hyper-Pet LLC signed a definitive merger agreement to acquire OurPet's Company (OTCPK:OPCO) ("OPCO") for $20 million on December 18, 2018.
12/03/2018	Morinda Holdings, Inc.	$99	New Age Beverages Corporation (NasdaqCM:NBEV)	5.0x	New Age Beverages Corporation (NasdaqCM:NBEV) entered into a definitive agreement to acquire Morinda Holdings, Inc. for approximately $100 million on December 2, 2018.

Source: Capital IQ

Peakstone Momentum

Peakstone Commitment to the Pet Industry

Petstages
outward hound
raise the woof
Riverside

M&A Advisor

PEAKSTONE

BIONIC
outward hound
raise the woof
Riverside

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INTEGRATIVE PET CARE

Private Investor Group

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PHELPS INDUSTRIES, INC.

M&A Advisor

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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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