

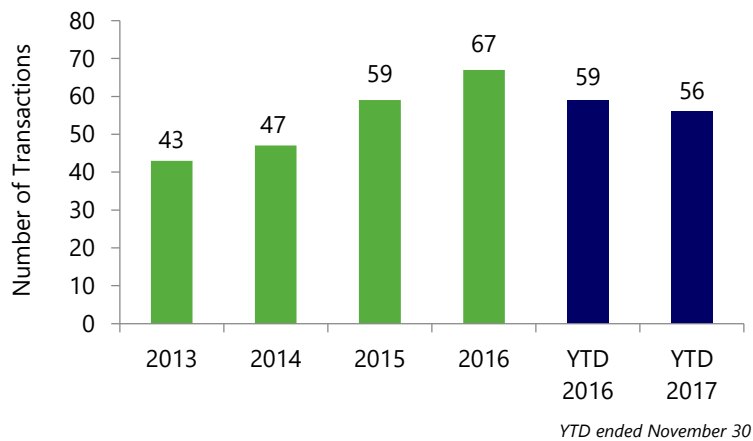


KEY M&A TAKEAWAYS

- ▶ Pet & Animal Care industry fundamentals remain attractive as low unemployment, increasing levels of disposable income and the continued humanization of pets has led to a growing number of pet owners and a corresponding uptick in spending on pet products and services.
- ▶ With 56 deals announced or closed through November 30, 2017, the Pet & Animal Care industry has had consistent year-over-year acquisition activity. Accelerated demand for veterinary services and natural and organic pet food products has been a driving force within the industry.
- ▶ Competition to win deals has increased significantly from previous years as financial buyers have stepped up and accounted for 51.8% of deal activity through November. The vet space, in particular, has seen intense competition as financial and strategic buyers have made 9 and 10 acquisitions, respectively. Rapid industry consolidation and abundant private equity capital should continue to foster a competitive landscape.

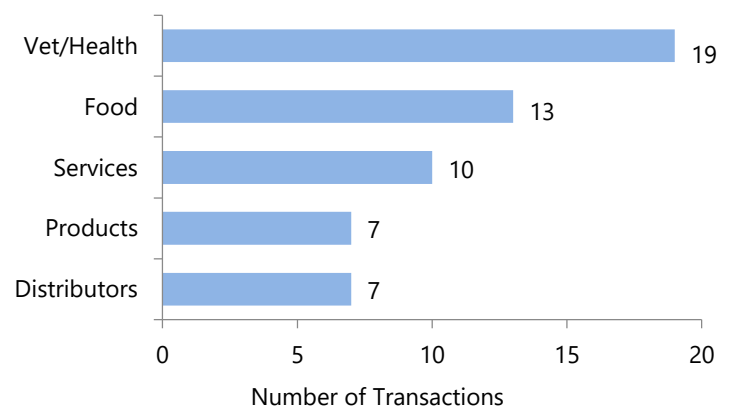
TRANSACTION VOLUME

- ▶ Transaction volume remains robust through YTD 2017 as activity is on-pace to exceed 60 transactions.
- ▶ Sustained interest from both strategic and financial buyers should help to maintain a strong seller's market.



DEAL SEGMENTATION

- ▶ Veterinary & Health companies have been the most active in the M&A market, accounting for 33.9% of deals.
- ▶ Pet Food companies have accounted for 23.2% of deals as buyers have looked to expand their natural pet food offerings.

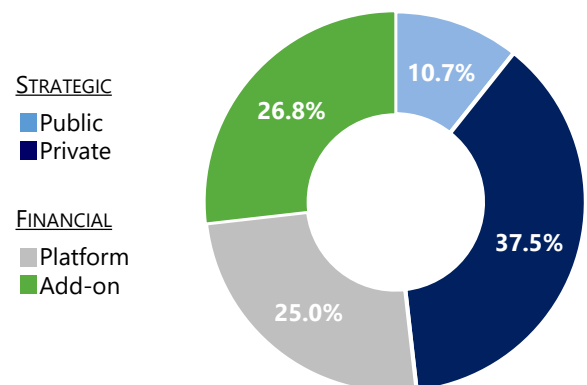


INDUSTRY GROWTH DRIVERS

- ▶ **Specialty Pet Services**
The American Pet Products Association (APPA) projects specialty pet services, which includes activities such as walking, training and grooming services to grow to \$6.1 billion in 2017, a 6.0% increase over 2016. While spending on pet services is behind the next closest spending segment by nearly \$9.0 billion, it is expected grow faster on a percentage basis than any other spending segment.
- ▶ **Veterinary Services**
According to *IBISWorld*, the Veterinary Services segment is expected to reach \$44.0 billion in revenue by 2022 at an annual growth rate of 2.2%. This is due in part to increased consumer spending on pet insurance and high cost procedures.
- ▶ **Natural and Organic Products**
According to *Technavio*, the global natural and organic pet food market is growing at a compound annual growth rate of 9.1% as a result of the heightened focus on pet health and wellness. Private label companies offering natural and organic pet food will be highly sought after by industry leaders in the M&A market.

BUYER BREAKDOWN

- ▶ Financial buyers have been particularly active, increasing their share of deals to 51.8% compared to 35.8% for all of 2016.
- ▶ Private equity groups have announced or closed 29 transactions YTD through either platform or add-on acquisitions.



All chart sources: CapIQ and Capstone Partners LLC Research