



THE DEAL HOUND

Q2 2016

Explore M&A Activity, Capital Market
Conditions and Current Trends for the
Pet Industry

SDR*Ventures*

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Investment Banking & Securities Offered Through SDR Capital Markets, Inc., Member FINRA & SIPC.





THE DEAL HOUND

Q2 INDUSTRY UPDATE

Activity within the Pet industry continues to be driven by the humanization of pets, especially as millennials reach adulthood. The ongoing drive toward more natural products translates into a market with high growth potential that is now gaining momentum even outside of traditional pet food categories. According to Packaged Facts' "U.S. Pet Market Outlook 2016-2017," the humanization trend is spreading beyond dogs and cats to birds and small mammals. The trend can be noticed mostly in pet food and treats (natural, functional, gourmet, convenient, green, lifestyle/species specific and human-grade ingredients).

At the same time, consumers around the globe are jumping on the natural bandwagon. Interzoo 2016 saw a new spotlight on meat and protein-based pet food, with a focus on grain free, fresh meat, and BARF (biologically appropriate raw food). The European market also has seen an increasing desire for alternative protein, whether for perceived health reasons, such as pet allergies, or concerns over supply and sustainability. One example is insect protein, which is showing up in pet treats in North America and even in complete diets in Europe.

KEY TRENDS

As the Pet industry continues to grow on a global scale and new options develop, consumers can be even more selective. From ingredients to packaging, today's conscious consumers are continually pressuring companies to operate responsibly and sustainably. One increasingly apparent trend is consumers' desire for brand transparency, and now pet owners have the ability to trace the origin of a product's ingredients. This "conscious-consumer movement" also is driving M&A growth globally in the alternative/specialty pet food categories, as limited-ingredient diets and other specialty products continue to gain traction.

In addition to shifting expectations of what consumers are looking for in the brands they buy, the way they are transacting is also changing dramatically. In 2014, online sales accounted for \$3.7 billion of the U.S. pet care industry total, up 76% from 2010. Consumers tend to favor specialty brands online, as 9 out of the top 10 pet food brands sold online are premium brands. Consumers cite convenience and variety of choices as the main reasons that they purchase their pet products online, leading more pet owners to buy their pet food from websites like Amazon.com and Chewy.com.

KEY M&A TRANSACTIONS

In Q2 2016, we saw a continued trend of larger multinational corporations expanding through acquisitions of smaller specialty companies. In May, Barcelona-based Agrolimen, a leading brand in pet food, acquired the remaining shares of St. Louis-based Nature's Variety. This trend is similar to the M&A activity in the human food space, such as Hormel Foods' acquisition of Justin's Specialty Nut Butter in May of 2016. These strategic acquisitions often find success when the acquired company continues to operate independently, as Nestle demonstrated after its acquisition of Merrick Pet Care last summer and after its 2014 purchase of Zuke's Dog Treats.

The information contained herein is based on sources we believe reliable but is not guaranteed by us and is not to be considered all-inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.

CONTENTS

[Transaction Activity](#)

[Active Buyers](#)

[Public Basket](#)

[M&A Market Activity](#)

[About SDR Ventures](#)

ABOUT SDR

Established in 2002, SDR Ventures has developed deep M&A and capital transaction knowledge and expertise. SDR offers transaction advisory, private capital formation and business consulting services across a wide range of industries. We serve business owners and operators of privately held companies and provide them with a professional-class experience.

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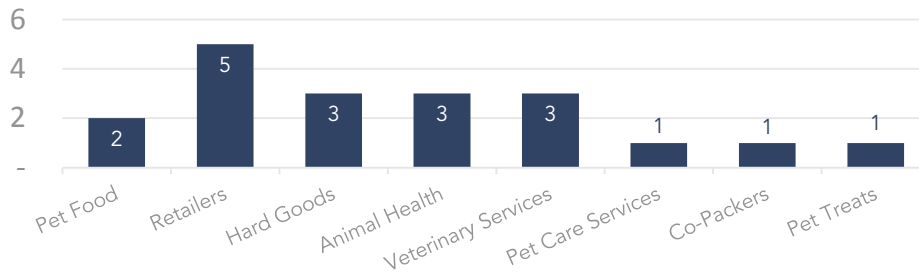
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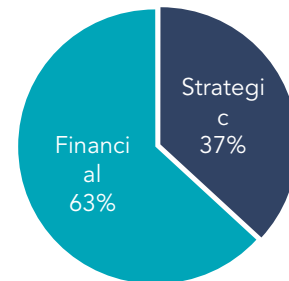
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TRANSACTIONS BY SEGMENT

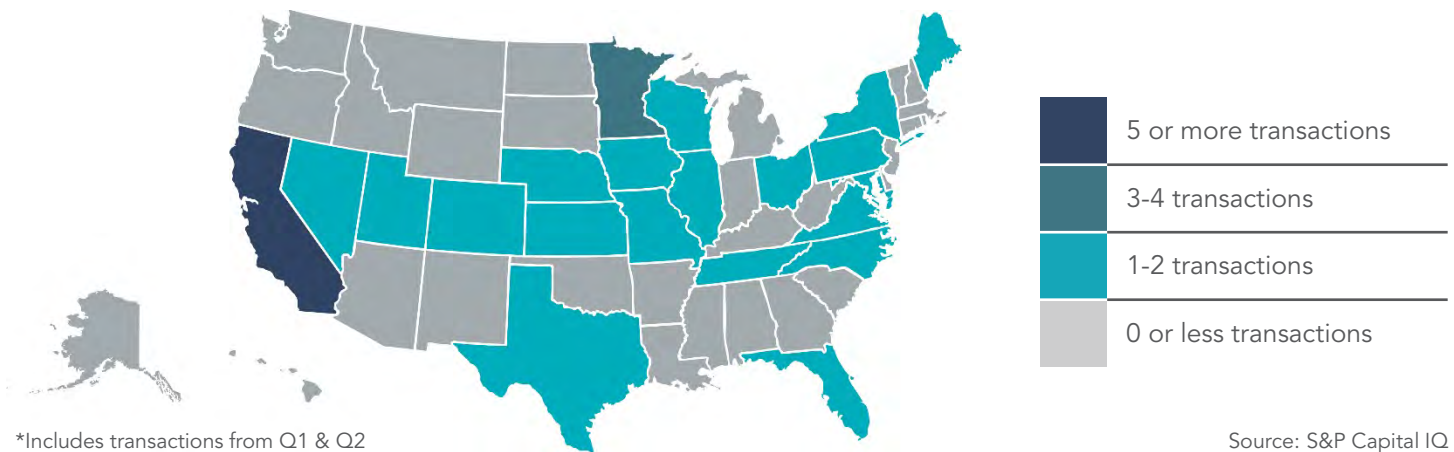


TRANSACTIONS BY TYPE



Source: S&P Capital IQ

TRANSACTIONS BY LOCATION



*Includes transactions from Q1 & Q2

Source: S&P Capital IQ

TRANSACTION ACTIVITY

Date	Target	Buyer(s)	Segment	Amount (\$ in Mil)	TEV/Rev	TEV/EBITDA
6/22/2016	Thrive Market, Inc.	The Invus Group, LLC; Greycroft Partners LLC; Cross Culture Ventures	Retailers	111.1	-	-
6/8/2016	Jaguar Animal Health, Inc.	Aspire Capital Partners, LLC	Animal Health	15.0	NM	NM
5/31/2016	The Piddle Place, LLC	Radio Systems Corporations	Hard Goods	-	-	-
5/17/2016	Bark & Co	August Capital; RRE Ventures LLC; Resolute Ventures, Inc.	Retailers	60.0	-	-
3/15/2016	Putney, Inc.	Dechra Pharmaceuticals plc	Animal Health	200.0	-	4.03x
2/29/2016	CAPNA, Inc.	VCA Inc.	Veterinary Services	344.0	-	-
2/16/2016	PupBox, Inc.	500 Startups	Retailers	0.1	-	-
2/8/2016	Riley's Premium Pet Products, LLC	Capital Innovators	Pet Treats	0.1	-	-

ACCESS FULL LIST

Source: S&P Capital IQ

Note: These data represent recorded transactions only, and are not all-inclusive. Nevertheless, they are typically representative of the industry.



ACTIVE BUYERS

MOST ACTIVE STRATEGIC BUYERS

Strategic Buyer	Inv. Dates	Select Corporate Acquisitions
Radio Systems Corporation	5/31/2016 1/6/2016 2/5/2013 11/30/2012 6/7/2010 3/1/2010	<ul style="list-style-type: none"> • The Piddle Place, LLC • Southern Pet Containment • Pup-Pee Solutions USA LLC • Lucky Litter LLC • Veterinary Ventures, Inc. • Premier Pet Products, LLC
Bentley's Pet Stuff LLC	7/14/2016 5/4/2016 4/22/2016 2/16/2016	<ul style="list-style-type: none"> • Go Dog Go, Inc. • ITS A PETS LIFE, Inc. • Natural Pet Marketplace, LLC • The Pet Outpost, L.L.C
Innovetive Petcare, Inc.	5/8/2016 8/19/2015 2/24/2015	<ul style="list-style-type: none"> • Veterinary Referral Hospital of Hickory • Chattanooga Emergency Pet Hospital (CEPH) • Animal Emergency & Specialty Center, LLC
VCA Inc.	2/29/2016 10/28/2015 12/4/2014 12/24/2012 7/10/2011	<ul style="list-style-type: none"> • CAPNA, Inc. • 19 Independent Animal Hospitals • Lakeview Animal Hospital • North Portland Veterinary Hospital • BrightHeart Holdings, LLC
Pet Supplies Plus/U.S.A., Inc.	3/10/2016 1/9/2012	<ul style="list-style-type: none"> • Pet Extreme Inc • Franchisee Consisting of Twelve Stores in Northeast Pennsylvania

Source: S&P Capital IQ

SELECT SPONSORS WITH ACTIVE PORTFOLIO HOLDINGS

Financial Sponsor	Platform Investment(s)	Inv. Dates	Select Holdings
Graham Partners	BrightPet Nutrition Group, LLC	4/28/2016	<ul style="list-style-type: none"> • Ohio Pet Foods, Inc., Southern Tier Pet Nutrition LLC, Blackwood Pet Food, LLC
Mistral Equity Partners LLC	Worldwise, Inc.	5/28/2015 5/2/2011	<ul style="list-style-type: none"> • Quaker Pet Group • Worldwise, Inc.
Shore Capital Partners, LLC	Southern Veterinary Partners	2/25/2015 10/6/2014 10/31/2011	<ul style="list-style-type: none"> • Valleydale Animal Clinic, LLC • Southern Veterinary Partners, LLC • NatPets LLC
Roark Capital Group	Pet Retail Brands	4/13/2015 8/31/2009 8/31/2009	<ul style="list-style-type: none"> • Pet Supermarket, Inc. • Pet Valu, Inc. • Pet Valu Canada, Inc.
The Riverside Company	Outward Hound	10/15/2015 9/9/2015 1/13/2015	<ul style="list-style-type: none"> • Petstages, Inc. • Zoo Active Products AB • Bionic Pet Products Inc.

Source: S&P Capital IQ

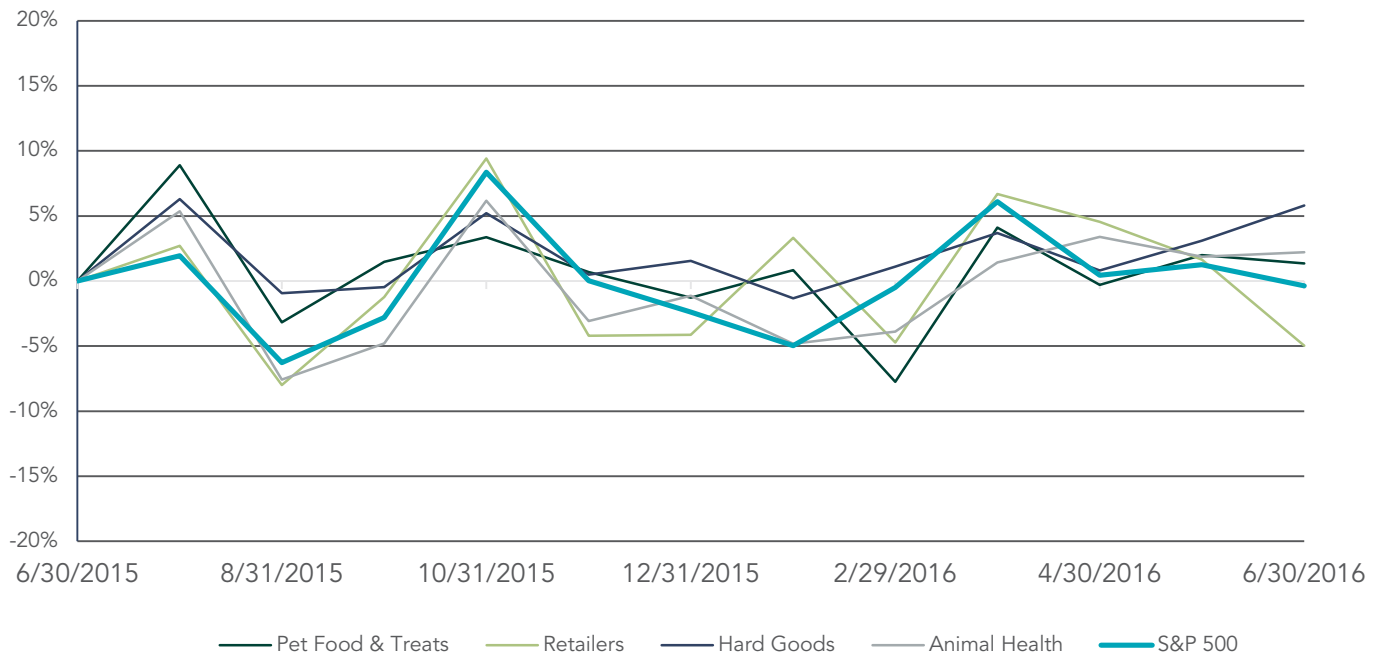
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PUBLIC BASKET

PET SEGMENTS VS. S&P 500

Running 12 Months



PET FOOD & TREATS

Source: S&P Capital IQ

Company Name	Symbol	State	Market Cap (\$ in Mil)	Price	Stock Price Quarter Change	YTD Change	Price/ LMT EPS	Price/ Book	TEV/ Rev	TEV/ EBITDA
Nestlé S.A.	SWX: NESN	-	\$226,068	\$75	4.6%	1%	27.5x	3.7x	2.7x	13.6x
Colgate-Palmolive Co.	NYSE: CL	NY	\$65,369	\$73	3.6%	10%	29.4x	NM	4.5x	16.4x
The J. M. Smucker Company	NYSE:SJM	OH	\$17,745	\$152	17.4%	24%	26.4x	2.5x	3.0x	13.6x
Spectrum Brands Holdings, Inc.	NYSE:SPB	WI	\$7,087	\$119	9.2%	17%	33.6x	4.3x	2.2x	13.5x
Blue Buffalo Pet Products, Inc.	Nasdaq:BUFF	CT	\$4,580	\$23	-9.0%	25%	35.7x	97.1x	4.4x	20.4x
Central Garden & Pet Company	NasdaqGS:CENT	CA	\$1,109	\$23	39.7%	69%	27.2x	2.2x	0.9x	10.3x
Omega Protein Corporation	NYSE:OME	TX	\$445	\$20	18.0%	-10%	11.4x	1.5x	1.3x	5.2x
Freshpet, Inc.	NasdaqGM:FRPT	NJ	\$313	\$9	27.3%	10%	NM	3.0x	2.6x	61.7x
Segment Average			\$40,340		13.8%	18.1%	27.3x	16.3x	2.7x	19.3x

Source: S&P Capital IQ

RETAILERS

Company Name	Symbol	State	Market Cap (\$ in Mil)	Price	Stock Price Quarter Change	YTD Change	Price/ LMT EPS	Price/ Book	TEV/ Rev	TEV/ EBITDA
Tractor Supply Company	NasdaqGS:TSCO	TN	\$12,166	\$91	0.8%	7%	30.0x	9.0x	1.9x	15.6x
PetMed Express, Inc.	NasdaqGS:PETS	FL	\$379	\$19	4.7%	9%	18.6x	4.6x	1.5x	10.3x
Boss Holdings Inc.	OTCPK:BSHI	IL	\$28	\$13	8.3%	9%	13.3x	0.7x	-	-
Jewett-Cameron Trading Company Ltd.	NasdaqCM:JCTC.F	OR	\$27	\$11	-3.6%	7%	13.7x	1.5x	0.4x	6.1x
Segment Average			\$3,150		2.6%	8.2%	18.9x	3.9x	1.3x	10.7x

Source: S&P Capital IQ

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PUBLIC BASKET (CONTINUED)

HARD GOODS

Company Name	Symbol	State	Market Cap (\$ in Mil)	Price	Stock Price Quarter Change	YTD Change	Price/LMT EPS	Price/Book	TEV/Rev	TEV/EBITDA
The Clorox Company	NYSE:CLX	CA	\$17,899	\$138	9.8%	9%	28.4x	69.1x	3.4x	15.5x
Church & Dwight Co. Inc.	NYSE:CHD	NJ	\$13,204	\$103	11.6%	21%	33.6x	6.9x	4.1x	18.0x
Spectrum Brands Holdings, Inc.	NYSE:SPB	WI	\$7,087	\$119	9.2%	17%	33.6x	4.3x	2.2x	13.5x
HRG Group, Inc.	NYSE:HRG	NY	\$2,697	\$14	-1.4%	1%	NM	5.9x	1.6x	10.5x
Central Garden & Pet Company	NasdaqGS:CENT	CA	\$1,109	\$23	39.7%	69%	27.2x	2.2x	0.9x	10.3x
Oil-Dri Corp. of America	NYSE:ODC	IL	\$250	\$35	2.2%	-6%	23.1x	2.1x	0.9x	8.0x
Boss Holdings Inc.	OTCPK:BSHI	IL	\$28	\$13	8.3%	9%	13.3x	0.7x	-	-
Jewett-Cameron Trading Company Ltd.	NasdaqCM:JCTC.F	OR	\$27	\$11	-3.6%	7%	13.7x	1.5x	0.4x	6.1x
Segment Average			\$5,288		9.5%	16.0%	24.7x	11.6x	1.9x	11.7x

Source: S&P Capital IQ

ANIMAL HEALTH

Company Name	Symbol	State	Market Cap (\$ in Mil)	Price	Stock Price Quarter Change	YTD Change	Price/LMT EPS	Price/Book	TEV/Rev	TEV/EBITDA
Merck & Co. Inc.	NYSE:MRK	NJ	\$159,466	\$58	8.9%	9%	32.5x	3.6x	4.4x	11.8x
Sanofi	ENXTPA:SAN	-	\$95,119	\$75	5.7%	-5%	23.8x	1.7x	3.0x	9.5x
Eli Lilly and Company	NYSE:LLY	IN	\$83,102	\$79	9.4%	-7%	36.7x	5.6x	4.4x	17.3x
Zoetis Inc.	NYSE:ZTS	NJ	\$23,550	\$47	7.1%	-1%	31.8x	20.2x	5.7x	18.0x
Henry Schein, Inc.	NasdaqGS:HSIC	NY	\$14,509	\$177	2.4%	12%	33.4x	5.0x	1.5x	16.8x
IDEXX Laboratories, Inc.	NasdaqGS:IDXX	ME	\$8,314	\$93	18.6%	27%	49.0x	NM	5.6x	24.1x
VCA Inc.	NasdaqGS:WOOF	CA	\$5,464	\$68	17.2%	23%	28.5x	4.2x	2.9x	14.9x
Akorn, Inc.	NasdaqGS:AKRX	IL	\$3,402	\$28	21.1%	-24%	20.6x	5.1x	4.0x	9.4x
Neogen Corp.	Nasdaq:NEOG	MI	\$2,111	\$56	11.7%	0%	62.4x	5.4x	6.4x	29.6x
Phibro Animal Health Corporation	NasdaqGM:PAHC	NJ	\$735	\$19	-31.0%	-38%	15.2x	9.5x	1.4x	9.7x
Heska Corporation	NasdaqCM:HSKA	CO	\$256	\$37	30.4%	-4%	44.4x	3.8x	2.4x	18.2x
Aratana Therapeutics, Inc.	NasdaqGM:PETX	KS	\$223	\$6	14.5%	13%	NM	2.5x	274.4x	NM
Jaguar Animal Health, Inc.	NasdaqCM:JAGX	CA	\$20	\$2	16.5%	-18%	NM	4.0x	79.4x	-
RiceBran Technologies	NasdaqCM:RIBT	AZ	\$17	\$2	48.2%	-13%	NM	2.3x	0.8x	NM
Oculus Innovative Sciences, Inc.	NasdaqCM:OCLS	CA	\$17	\$4	-16.0%	-30%	NM	1.7x	0.6x	NM
PetVivo Holdings, Inc.	OTCPK:PETV	MN	\$11	\$1	-7.3%	-48%	NM	NM	NM	NM
Petlife Pharmaceuticals, Inc.	OTCPK:PTLF	CA	\$3	\$0	74.9%	100%	NM	NM	-	-
Segment Average			\$23,313		13.7%	-0.1%	34.4x	5.3x	26.5x	16.3x

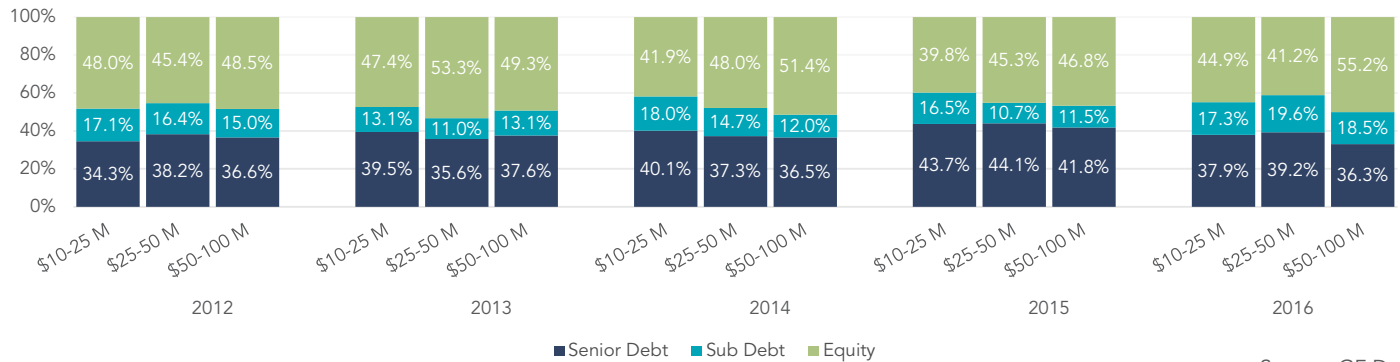
Source: S&P Capital IQ

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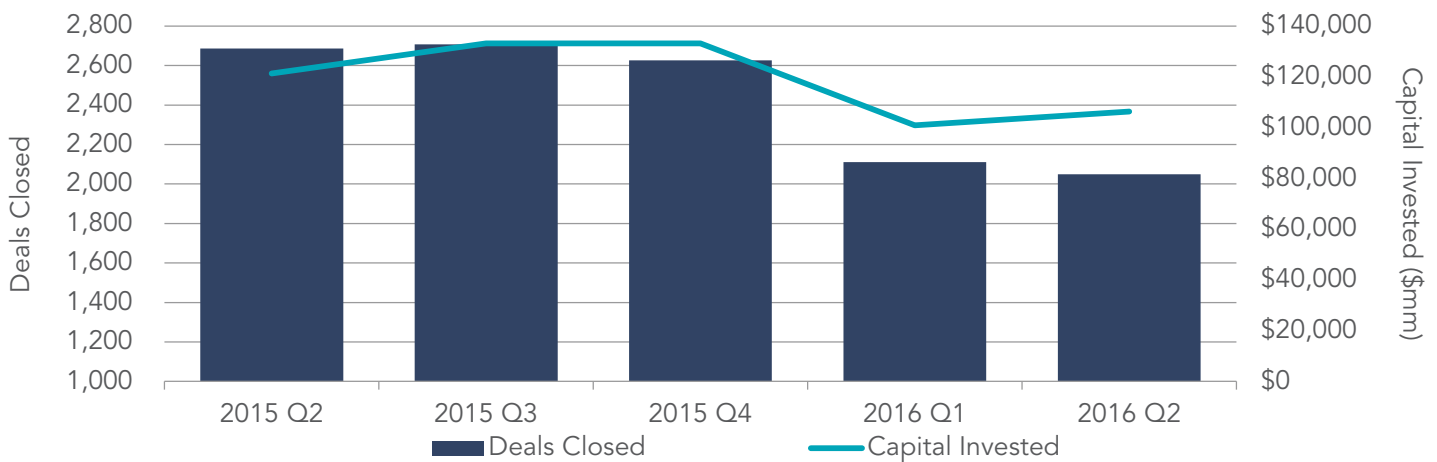
OVERALL U.S. LOWER MIDDLE MARKET M&A ACTIVITY

CAPITAL STACK



Source: GF Data*

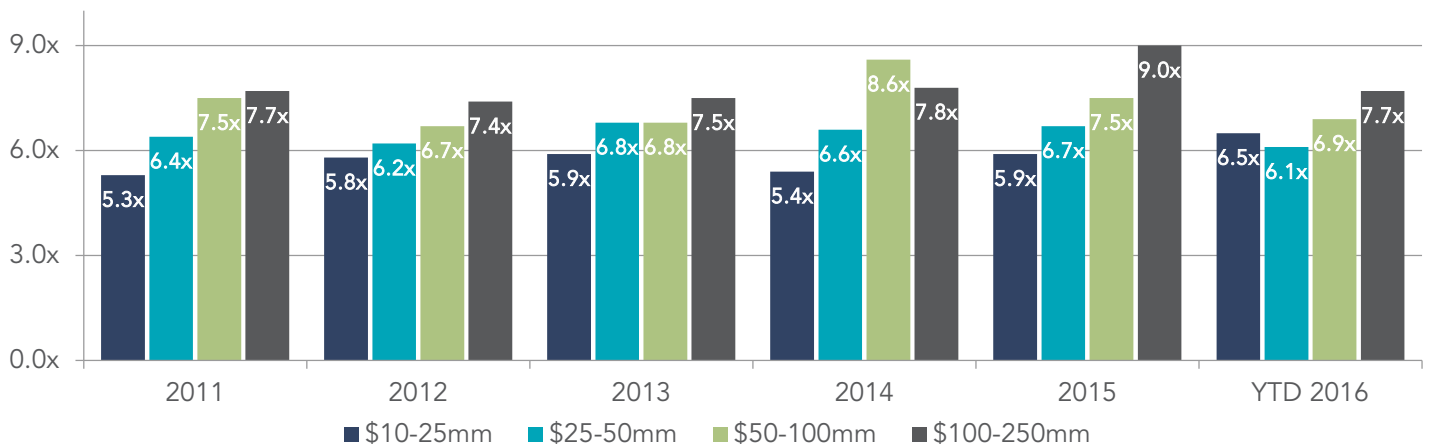
M&A ACTIVITY



Source: S&P Capital IQ

TRANSACTION MULTIPLES

EBITDA Multiples By Transaction Size



Source: GF Data*

*The most current source of GF Data is as of March 31, 2016, and lags one quarter behind the current quarter.



THE DEAL HOUND

COMPREHENSIVE PET EXPERTISE

The Pet industry has become a hot space in recent years, but we have been involved in the industry for almost a decade. Our experience and drive puts us at the leading edge of information in the market, giving you the advantage when the time comes to buy, sell or seek investments to grow your pet-related business.

Our Pet industry investment banking expertise includes the following segments:

- Pet Food
- Retailers
- Hard Goods
- Animal Health
- Veterinary Services
- Pet Care Services
- Co-Packers
- Pet Treats

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SELECT TRANSACTION EXPERIENCE

SDR has completed numerous transactions types throughout the pet industry, including:

BUY-SIDE

PET FOOD EXPERTS
Has acquired
Zeus & Company
SDR Ventures BUY-SIDE TRANSACTION

STRATEGIC SALE

Sticky Paws
Has been acquired by
pioneer pet
SDR Ventures SELL-SIDE TRANSACTION

Pet Food Land, Inc.
Has been acquired by
Pet Food Land, Inc.
SDR Ventures SELL-SIDE TRANSACTION

CAPITAL FORMATION

PETERSEN PET PROVISIONS, LLC
Financing provided by
SDR Ventures CAPITAL FORMATION

cloud star
Has completed a majority recapitalization with
FRONTENAC COMPANY
SDR Ventures CAPITAL FORMATION

SDR SERVICE OFFERINGS



SELL-SIDE ADVISORY



PRIVATE CAPITAL FORMATION



BUY-SIDE ADVISORY



STRATEGIC CONSULTING