



Baird Team Insights

August 2023



SuperZoo 2023 Takeaways

Baird's Pet Care team spent August 16-18 in Las Vegas for the World Pet Association's SuperZoo – billed as the most-attended pet industry trade show in North America.

No doubt the show was abuzz; ~10,000 attendees and ~1,200 exhibitors filled more than 300,000 square feet in the Mandalay Bay Convention Center. Exhibitors generally spoke of a perceived uptick in traffic and high-quality attendees.

While most reported continued business momentum, ongoing softness in durable pet products and questions around the sustainability of continued growth as inflation moderates has many looking ahead to Q4 with a bit of unease.

Over the next several quarters all eyes will be on category performance across key industry segments – nutrition, products and services. How these industry segments fare will be an important factor in near term prospects for industry M&A.



Wendy Nicholson
wcnicholson@rwbaird.com | 917-853-9901



Spencer DePree
sdepree@rwbaird.com | 303-519-6890



Chris Sciortino
csciortino@rwbaird.com | 312-543-5174



Scott Ehlen
sehlen@rwbaird.com | 414-731-4591



Jason Porter
jporter@rwbaird.com | 813-951-8388



Robert Foster
rfoster@rwbaird.com | +44 207-667-8309



Baird Pet Care SuperZoo Insights

- 1 Price / volume dynamic continues to unfold, calling into question the sustainability of continued industry growth
- 2 What's next in the humanization theme? An emerging focus beyond diet to health and wellness
- 3 Consumer education will be critical in driving continued adoption and supporting growth in emerging categories
- 4 With the growing proliferation of pet data – the 'connected pet' wave is just beginning
- 5 Pet services – not dissimilar from consumer services more broadly – continue to drive pet care category growth
- 6 Industry consolidators eye a return of the M&A markets in earnest – albeit through a very discerning lens



1

Price / volume dynamic continues to unfold, calling into question the sustainability of continued industry growth

- Price continues to serve as the primary driver of category growth (with year-over-year volumes generally flat-to-down)
- While consumables and services are still growing, enduring softness in supplies and durables remains
- Last 4 weeks saw volume declines across both independent pet and MULO channels, with significant \$ and volume share increases in private label
- The next 3-6 months will be interesting as many question how growth will fare as inflation moderates



2

What's next in the humanization theme?
An emerging focus beyond diet to health
and wellness

- With the proliferation of category participants riding the humanization wave, the question is no longer how long will the humanization trend last
- Rather, the question has shifted to how quickly the U.S. market can narrow the 'adoption gap' with the rest of the world—particularly in fresh / raw nutrition
- Emerging entrants looking to capitalize on this next phase of humanization include exciting brands in the plant based and alternative protein space – preaching the importance of sustainability

3

Consumer education will be critical in driving continued adoption and supporting growth in emerging categories

- Ongoing and deliberate shift from reactive to proactive pet health and wellness
- Supplements / multivitamins / dental continue to grow as consumers look to get ahead of most common pet health issues
- With supply chains generally stabilized – expect a marketing push to drive awareness / education in support of promoting proactive health and wellness



4

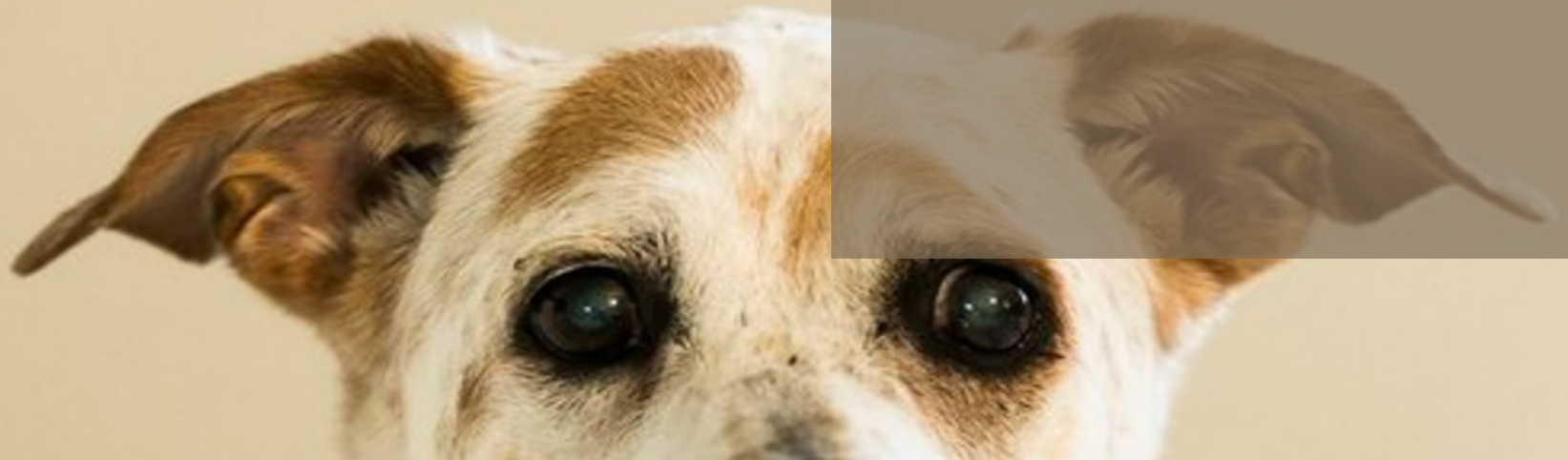
With the growing proliferation of pet data – the ‘connected pet’ wave is just beginning

- Continued investment and innovation in technology analogous to the human activity trackers (e.g., Halo Collars, Fi, etc.)
- Potential to support industry shift to proactive health and wellness
- Wide ranging business models across pet tech – including products, subscription-based services, etc. – including powerful opportunity to commercialize underlying data

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Pet services – not dissimilar from consumer services more broadly – continue to drive pet care category growth

- Still very early stages of growth / innovation / consolidation across both vet and non-vet service categories
- Broad-based, cross-category growth in pet health, daycare, boarding, grooming, training, etc.
- Tremendous investor appetite in the category – whether through consolidation or franchising opportunities



6

Industry consolidators eye a return of the M&A markets in earnest – albeit through a very discerning lens

- Select M&A opportunities across the value chain have emerged, though have largely centered on supply chain and services
- Near-term M&A transactions could serve as new benchmarks for investor sentiment and valuation levels
- Emerging PE -backed consolidators and key strategic buyers continue to watch for opportunities – albeit but with a very discerning eye given concerns over near term category performance





Baird Pet Care Overview

Baird's Comprehensive Coverage of Pet Care



Wendy Nicholson
 wcnicholson@rwbaird.com
 917-853-9901



Spencer DePree
 sdepree@rwbaird.com
 303-519-6890



Scott Ehlen
 sehlen@rwbaird.com
 414-731-4591



Robert Foster
 rfoster@rwbaird.com
 +44 207-667-8309



Chris Sciortino
 csciortino@rwbaird.com
 312-543-5174



Jason Porter
 jporter@rwbaird.com
 813-951-8388



Emily Thies
 ethies@rwbaird.com
 509-850-7833



Freshpet
 \$179,687,505
 Common Stock
 Initial Public Offering

nulo
 Received Minority Investment from
Apax
 Advisor



CENTRAL
 Garden & Pet
 \$200,000,000
 Common Stock
 Follow-on Offering

\$625,000,000
 Acquisition of
RADIO SYSTEMS
 CORPORATION
 Senior Secured Notes



PET SUPPLIES PLUS
 A Portfolio Company of
 IRVING PLACE CAPITAL
 Sale to
Sentinel
 CAPITAL PARTNERS

petco
 THE HEALTH + WELLNESS CO.
 \$993,600,000
 Common Stock
 Initial Public Offering



DIAMONDBACK
 DRUGS
 Recapitalization by
SHERIDAN
 CAPITAL PARTNERS

DIAMONDBACK
 DRUGS
 Recapitalization by
SHERIDAN
 CAPITAL PARTNERS
 Subsequent Recapitalization by
TAILWIND

* Tombstones denote transactions completed by bankers while at another firm.

Robust Experience Across the Sector



freshpet

\$350,000,028
Common Stock

Follow-on Offering

freshpet

\$345,345,000
Common Stock

Follow-on Offering

CENTRAL
Garden & Pet

\$200,000,000
Common Stock

Follow-on Offering

CLAYTON
DUBILIER
& RICE

Acquisition of

RADIO SYSTEMS
CORPORATION

Senior Secured Notes

PET SUPPLIES PLUS.

A Portfolio Company of

Sentinel
CAPITAL PARTNERS

Sale to

FRANCHISE
GROUP INC.

PET SUPPLIES PLUS.

A Portfolio Company of

IRVING PLACE CAPITAL

Sale to

Sentinel
CAPITAL PARTNERS

DIAMONDBACK
DRUGS

Recapitalization by

SHERIDAN
CAPITAL PARTNERS

Freshpet

\$179,687,505
Common Stock

Initial Public Offering

Freshpet

Sale of 25% stake to

Tyson

Caring for pets since 1868

Sergeant's

Sale to

Perrigo

Rejuvenate

Sale to

Spectrum
Brands

petco
THE HEALTH + WELLNESS CO.

\$607,200,000
Common Stock

Follow-on Offering

petco
THE HEALTH + WELLNESS CO.

\$993,600,000
Common Stock

Initial Public Offering

DIAMONDBACK
DRUGS

A portfolio company of

SHERIDAN
CAPITAL PARTNERS

Recapitalized by

TAILWIND

nulo
healthier together™

Received Minority Investment from

Apax

Advisor

WellPet
at the heart of all we do

A Portfolio Company of

CLEARBANK CAPITAL

Senior Secured Credit Facilities

WEIMAN

A Portfolio Company of

CORTECGroup

Sale to

THE CARLYLE GROUP

And

TA ASSOCIATES

Bradshaw Home

A Portfolio Company of

ONCAP

Sale to

ARBOR
INVESTMENTS

petvalu
your pet • your store

Senior Secured Credit Facilities

ROARK
CAPITAL GROUP

Acquisition of

petvalu

DDC
DNA Diagnostics Center

A Portfolio Company of

MTS **OAKTREE**

Sale to

GHO
CAPITAL

Pestell
NUTRITION

Sale to

WIND POINT PARTNERS

EVRIHOLDER

A Portfolio Company of

the edgewater funds and JZ PARTNERS

Sale to

KAINOS
CHANGE CAPITAL AT WORK

Tiendanimal

A Portfolio Company of

MIURA
PRIVATE EQUITY

Sale to

EMEFIN

Musti
GROUP

€160,000,000
Common Stock

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