

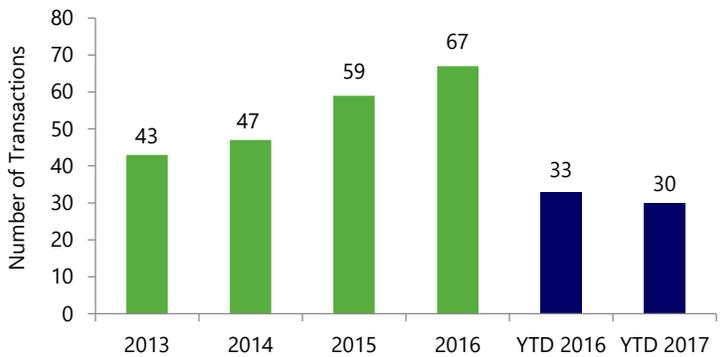


KEY M&A TAKEAWAYS

- ▶ Transaction volume continues at a healthy pace with deals being done throughout all segments of the pet space.
- ▶ Public companies in the products and services segments continue to perform well, reaching an average EBITDA multiple of 21.6x in June 2017. The high multiple indicates that companies can most likely expect to receive premium valuations should they choose to pursue an exit.
- ▶ Consolidation continues in the vet space with new entrants, such as Navo Capital Partners, adding to the mix of potential buyers.
- ▶ The pet space is responsible for the largest e-commerce deal in the history of retail with the \$3.35 billion purchase of Chewy.com by PetSmart. The deal is expected to revolutionize PetSmart's e-commerce business, amidst a time when brick-and-mortar retailers have struggled to keep pace with online shopping.

TRANSACTION VOLUME

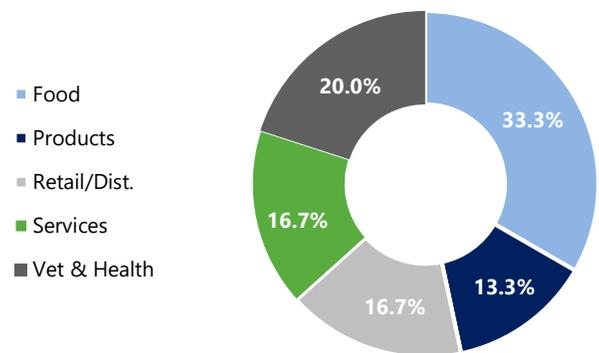
- ▶ Transaction volume remained strong through year-to-date (YTD) 2017 as compared to the same time frame last year.
- ▶ Financial buyers have shown increasing interest in making acquisitions in this industry, accounting for 56.7% of deals in 2017. In 2016, these buyers accounted for 35.8% of deal volume.



YTD ended June 15

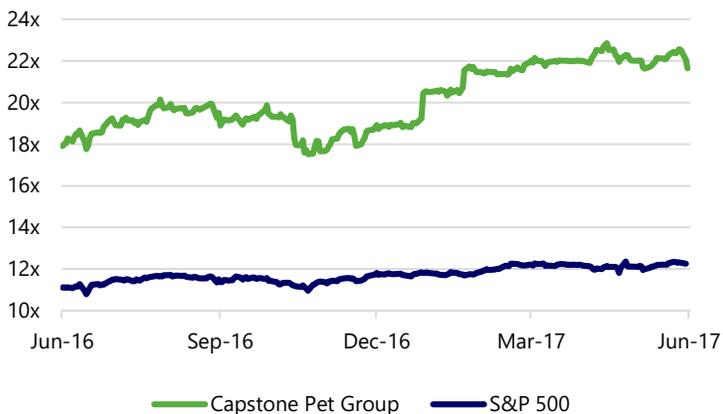
DEAL SEGMENTATION

- ▶ Pet food companies have seen the most acquisitions in this industry (10), while pet products have seen the least (4).
- ▶ Comparing each segment's share of 2017 activity vs 2016 activity, the Pet Food segment has grown the most (33.3% vs 13.4%), while the Veterinary & Health segment has decreased the most (20.0% vs 32.8%).



AVERAGE PUBLIC COMPANY EBITDA MULTIPLE

- ▶ Over the last twelve months Capstone's Pet & Animal Care index has grown by 20.8%, about double the growth of the S&P 500 over that time frame. This indicates premium valuations for companies in this industry.



All chart sources: CapIQ and Capstone Partners LLC Research

BUYER PROFILES

- ▶ **Shore Capital Partners**
The consolidation in the vet space is an ongoing trend. Private equity groups continue to add on to their platform investments, such as Shore Capital Partners' addition of five new locations to Southern Veterinary Partners (SVP) in the first six months of 2017. Shore Capital acquired SVP in October 2014, and has since made 9 add-on acquisitions.
- ▶ **VCA, Inc.**
VCA the largest strategic buyer in the Veterinary & Health space, continues to make acquisitions that expand the depth and breadth of their footprint. The pending acquisition of VCA by Mars has not kept VCA from acquiring 15 Independent animal hospitals in April.
- ▶ **Navo Capital Partners**
A new entrant in the space is Navo Capital Partners. They are actively seeking a platform in the US market. According to founder Marco Meier, Navo is being backed by investors who successfully consolidated the veterinary care market for companion animals into a platform active across a large number of European countries. They are hoping to replicate this success by transferring the knowledge obtained from integrating more than 40 acquisitions to the US.