



INDUSTRY OVERVIEW

Our observations from the 2016 Global Pet Expo in Orlando and newly released data confirm to us that the ongoing humanization of pets is growing beyond the \$30-billion U.S. pet food market and into the more broad health and wellness industry. In a March 2016 Nielsen Survey of American and French pet owners, 85% stated that they believe food choices can extend the lives of their pets. In addition, a 2015 Packaged Facts Report stated that 74% of owners strongly agree or somewhat agree that high-quality dog foods are effective for preventive health care, up from 51% in 2014. New product offerings, M&A transactions and overarching trends seen in the Pet Industry continue to be decidedly similar to human consumer trends in food, healthcare and wearable technology.

Within the Food and Treats segments, not only have ingredients and sources in pet food become more scrutinized, but also large players are now competing for market share from pet owners who are treating their dogs and cats to non-GMO, grain-free, raw, supplemental or other fundamental food products. WellPet added more natural and raw food options to its product offering through M&A. By acquiring Sojourner Farms LLC, the company added the Sojos line of homemade, all natural, freeze dried, raw pet food to its healthy and natural brand portfolio. Zuke's also announced that it will be expanding its treat-based business to include natural dog food. Available in summer 2016, Zuke's Ascent Natural Dog Food will be free of grains, wheat, corn, soy, artificial preservatives, colors and flavors. The U.S. grain-free pet food market currently is worth \$2 billion. Supplemental bars, similar to granola or protein bars for humans, also have taken off in the pet space via R&D by traditional pet food manufactures and start-ups. Purina retails pre-exercise (PRIME Bar) and post-exercise (ReFUEL Bar) nutrition bars under its Pro Plan brand. Smaller players like PowerBark and TurboPUP have gone one step further and have created nutritional bars to replace entire meals for when owners and pets are not home in time for dinner.

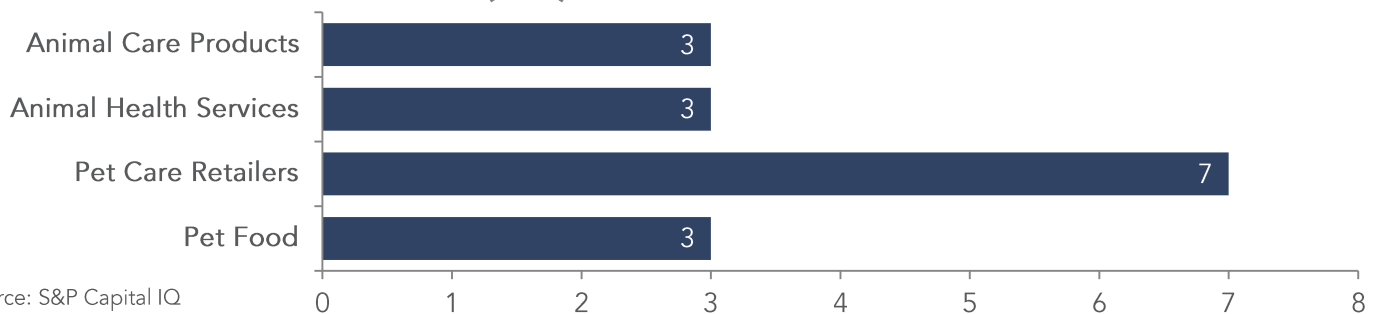
Beyond just caring for pets through their diets, attention to pet activity and fitness is becoming a major focus. In 2015, 58% of dogs and 54% of cats were considered overweight or obese. As consumers become more interested in tracking their pets' exercise in addition to their own, fitness trackers like Fitbark and Whistle are making an impact. In March, Mars Petcare reportedly acquired Whistle for over \$100 million. Whistle stated, "We look forward to connecting nutrition, healthcare and technology to improve the lives of pets and their families". Whistle acquired pet wearable competitor and maker of Tagg, Snaptracs Inc., in 2015. Previously, Whistle raised over \$20 million in venture funding from Carmelo Anthony's Melo7 Technologies, Nokia Growth Partners, Nas' Queensbridge, Slow Ventures, DCM Ventures and Qualcomm. Concern for pets' health and wellness will continue driving growth, M&A and innovation in the industry.

- Travis Conway, Managing Director - Jodi Burrows, Vice President - Cassandra Dobos, Analyst

Sources: S&P Capital IQ, Nielsen Humanization of Pet Food Report, Packaged Facts Pet Food in the U.S. (March 2016), Pet Age, TechCrunch - Whistle

TRANSACTION HIGHLIGHTS

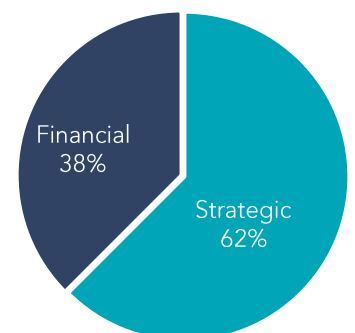
TRANSACTIONS BY SEGMENT (Q1)



Source: S&P Capital IQ

HIGHLIGHTED TRANSACTIONS

STRATEGIC TRANSACTIONS	3.15.16	Dechra Pharmaceuticals plc (LSE:DPH) has agreed to acquire Putney, Inc., a pet pharmaceutical company, from Advantage Capital Partners, Safeguard Scientifics, Inc. (NYSE:SFE), Commerce Health Capital, LLC and NewSpring Capital for \$200 million in cash.
FINANCIAL TRANSACTIONS	1.21.16	Guardian Capital Partners acquired the assets of Rose America Corporation for an undisclosed amount. Rose America Corporation produces collars, leashes and other small accessories for pets.



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.

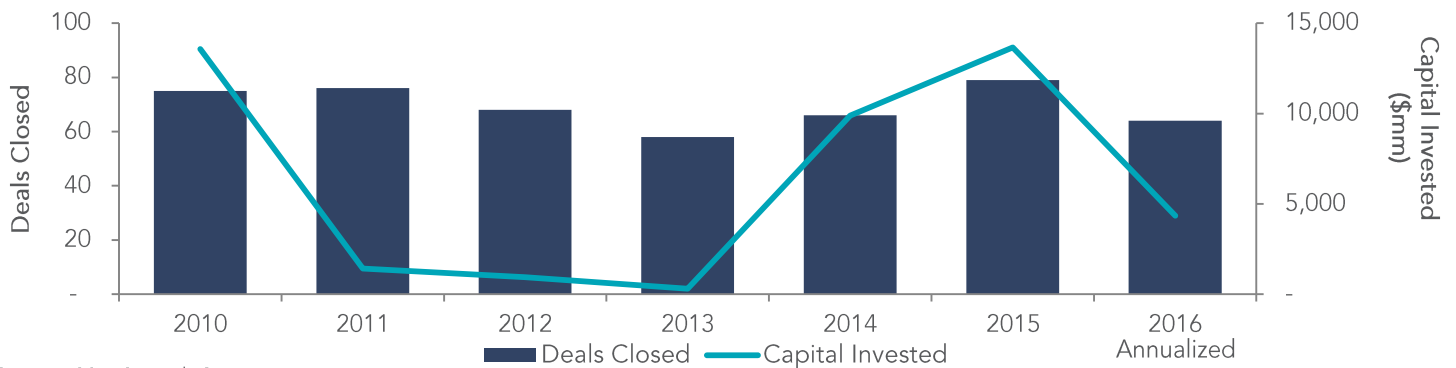


TRANSACTION ACTIVITY

Date	Target	Buyer(s)	Transaction Comments
3/10/2016	Pet Extreme Inc.	Pet Supplies Plus/U.S.A., Inc.	Pet Supplies Plus/U.S.A., Inc. operates franchised pet stores in the Midwest and Eastern United States. The company acquired Pet Extreme Inc. for an undisclosed amount. Pet Extreme retails treats and accessories for pets. It also provides vaccinations and pet grooming services.
3/8/2016	Franchise Bancorp Inc. (TSXV:FBI)	WTF Holdings Inc.	WTF Holdings Inc. has agreed to pay \$5.31 million to acquire an additional 35.16% stake in Franchise Bancorp Inc., which operates 140 Global Pet Food retail stores. This values Franchise Bancorp at 17.2x EBITDA.
3/02/2016	NatPets LLC	Seed Funding	NatPets LLC announced that it will receive \$7,000,000 in funding on March 2, 2016. NatPets LLC, doing business as "I and love and you", sells products including raw, freeze dried, and grain-free dog food as well as supplements for dogs and cats.
1/4/2016	FarmBoxLA	GrubMarket, Inc.	GrubMarket acquired FarmBoxLA on January 4, 2016. FarmBoxLA delivers local and organic foods, including dog and cat food and treats, direct to consumers' doors. Concurrently, GrubMarket has also acquired SPUD, a FarmBoxLA subsidiary.

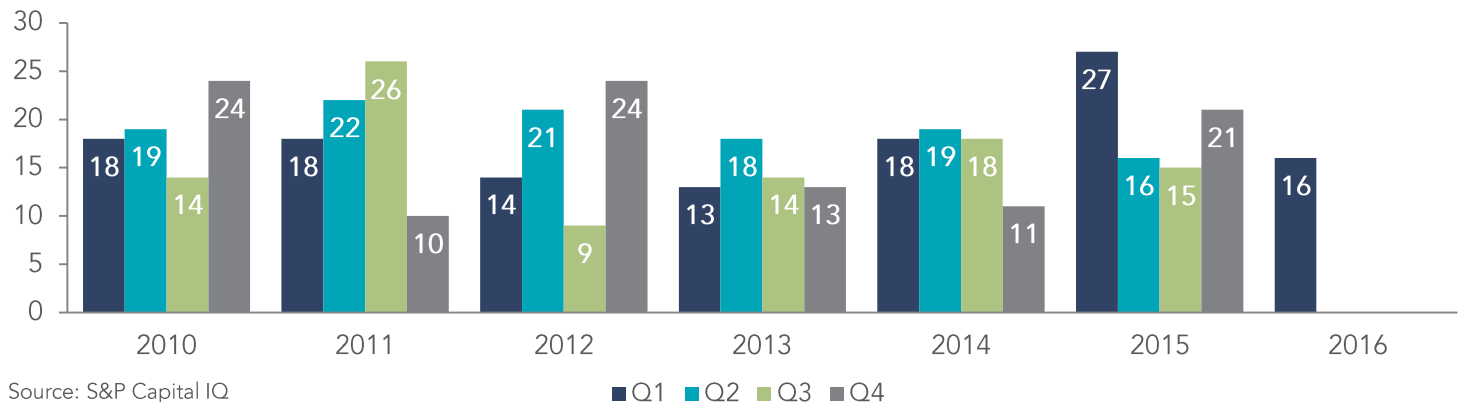
Source: S&P Capital IQ

U.S. PET M&A ACTIVITY



Source: S&P Capital IQ

PET TRANSACTIONS BY QUARTER



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.



PUBLIC BASKET

The Animal Health Services sector has dramatically declined due to negative investor opinions on the healthcare industry and international competition for industry giants like Eli Lilly (NYSE:LLY). Eli Lilly's Animal Health Segment fell 5%, resulting in closure of two manufacturing facilities in Ireland and Scotland. However, many individual Pet firms had great operational success or made major acquisitions during Q1.

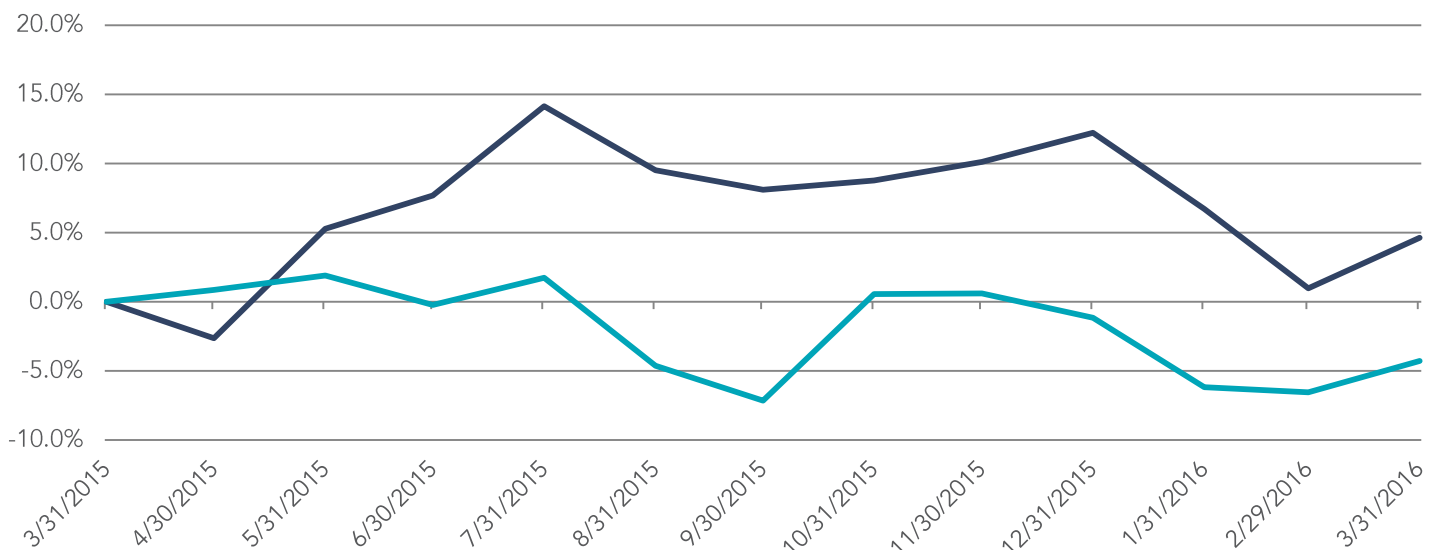
Phibro Animal Health Corporation (NasdaqGM:PAHC) acquired MVP Laboratories for \$46.5 million in cash in order to expand its vaccine business in North America by acquiring a U.S. vaccine manufacturing facility. MVP Laboratories manufactures vaccines for livestock animals and develops supplements for dogs and cats to address specific dietary needs and common ailments. During Q4 2015, Phibro saw 10% growth in vaccines and 17% growth in nutritional specialties. Prior to the acquisition, the companies partnered together. MVP manufactures the MJPRRS® autogenous swine vaccine, which Phibro distributes exclusively. Specialty veterinary care is becoming increasingly important; however, Phibro's stock has declined over 13% due to pricing pressures, customer consolidation and competition from generic veterinary products.

Blue Buffalo (NasdaqGS:BUFF) bounced back this quarter, with the stock price rising over 35% YTD after reported EPS was 14% higher than expected. BUFF's growth over the past two quarters came mainly outside of pet superstores. Revenue in pet superstores grew only 2% whereas other channels experienced 39% revenue growth and now make up one third of Blue Buffalo's sales. Regional and neighborhood pet stores, e-commerce and farm and feed fall into this non-superstore category. While BUFF is holding its own in PETCO and PetSmart against Big Heart Pet Brands' Natural Balance brand (owned by J.M. Smucker) and Mars' Nutro brand, the growth in other markets is becoming more important for the future success of the company. In March, BUFF announced an expansion to its manufacturing plant in Joplin, MO and plans to build another plant in order to improve flexibility, productivity (through increased capacity) and innovation (through enhanced R&D).

Company	Symbol	State	Market Cap		Stock Price		Price/ LTM EPS	Price/ Book	TEV/ Rev	TEV/ EBITDA
			(\$ in Mil)	Last	Quarter Change	YTD Change				
Zoetis Inc.	NYSE:ZTS	NJ	\$ 21,885	\$ 44.02	(8.1%)	(8.1%)	30.8x	20.5x	5.4x	17.7x
IDEXX Laboratories, Inc.	NasdaqGS:IDXX	ME	\$ 6,967	\$ 77.75	6.6%	6.6%	41.4x	NM	4.9x	20.7x
Blue Buffalo Pet Products, Inc.	NasdaqGS:BUFF	CT	\$ 4,966	\$ 25.31	35.3%	N/A	40.9x	NM	5.0x	23.4x
VCA Inc.	NasdaqGS:WOOF	CA	\$ 4,688	\$ 57.73	5.0%	5.0%	25.7x	3.7x	2.6x	13.5x
Phibro Animal Health Corporation	NasdaqGM:PAHC	NJ	\$ 1,046	\$ 26.54	(11.9%)	(11.9%)	21.3x	19.5x	1.8x	12.3x
Freshpet, Inc.	NasdaqGM:FRPT	NJ	\$ 249	\$ 7.41	(12.7%)	(12.7%)	NM	2.4x	2.0x	60.4x
Central Garden & Pet Company	NasdaqGS:CENT	CA	\$ 811	\$ 16.15	19.5%	19.5%	24.1x	1.6x	0.7x	8.5x
PetMed Express, Inc.	NasdaqGS:PETS	FL	\$ 361	\$ 17.94	4.7%	4.7%	18.2x	4.5x	1.3x	9.2x
Heska Corporation	NasdaqCM:HSKA	CO	\$ 188	\$ 28.40	(26.6%)	(26.6%)	36.2x	3.0x	1.9x	14.5x
Industry Average			\$ 8,552		(6.8%)	(6.8%)	27.8x	15.2x	2.0x	15.2x

Sources: S&P Capital IQ, Eli Lilly Q4 2015 Earnings Call, Phibro Animal Health Corp. FQ2 10-Q, Blue Buffalo FQ4 Earnings Call

PET INDUSTRY VS. S&P 500 RUNNING 12 MONTHS



Source: S&P Capital IQ

— Pet Industry — S&P 500 Index



INDUSTRY SEGMENTS

Consolidation continues to occur in much of the Pet Industry. Strategic acquisitions have increased in the Animal Health Services segment amid stock price depreciation almost across the board. Meanwhile, private equity groups remain active in consolidating other sub-sectors including pet fencing and security.

Radio Systems Corporation, doing business as PetSafe, a leader in the pet fencing sector, is expanding its position by acquiring competitor Southern Pet Containment, LLC. Radio Systems markets pet care supplies under the brands of PetSafe, Invisible Fence, Sport Dog and Innotek. Southern Pet Containment distributes Invisible Fence products throughout Florida. Announced in January, the acquisition was set to close on March 31. Although the size of the deal with Southern Pet Containment is undisclosed, CFO Chris Chandler stated the company typically buys companies within the multiple range of 5x-6x with \$2 million to \$6 million in EBITDA. Additionally TSG Consumer Partners increased its stake in Radio Systems. In early March, TSG invested \$231 million in exchange for a 33% interest represented by preferred stock. Over \$40 million of the transaction proceeds will be paid to executive officers, directors or promoters.

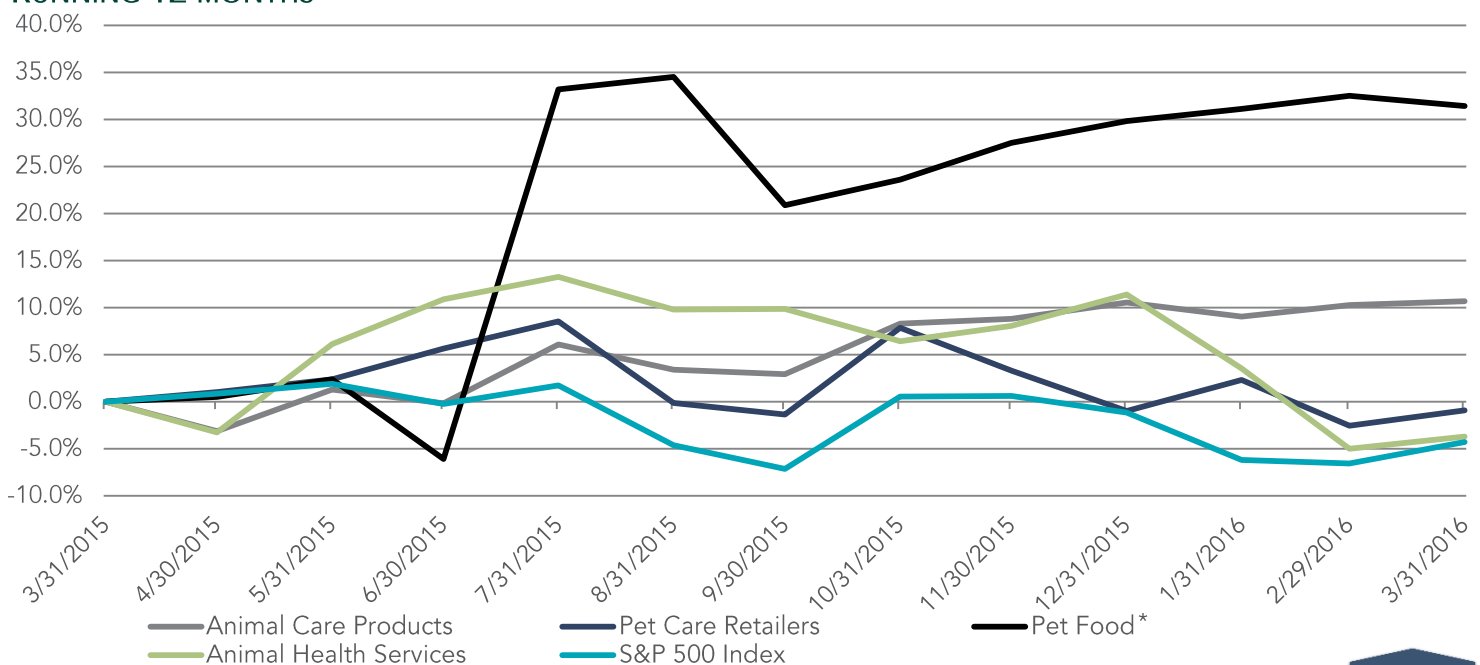
VCA Inc. (NasdaqGS: WOOF) and Banfield Pet Hospital, a subsidiary of Mars, Inc., are both consistent buyers of veterinary facilities and hospitals. However, both companies recently have struggled to compete with private equity firms. In regard to auctions involving PE-backed companies, Tom Fuller, CEO of VCA stated, "We've typically been excluded or not wholeheartedly welcome in other processes. Typically, it's a much faster and easier deal to trade among themselves." However, after a strong Q4 performance, VCA gained greater means to compete. VCA's changing strategy is exemplified by its acquisition of an 80% stake in Companion Animal Practice of North America, or CAPNA, Inc. Analysts consider this a key transaction for VCA, adding to management and stockholder confidence. Going forward, Fuller states that VCA intends to use operating cash flow in order to continue to consolidate the extremely fragmented market of mom-and-pop operators.

Market Segment	Average Market Cap	Market Cap Delta			Price/ LTM EPS	Price/ Book	TEV/ Sales	TEV/ EBITDA
		Quarter	YTD	LTM				
Pet Food	\$ 4,861	1.2%	1.2%	31.4%	21.4x	2.5x	2.0x	35.7x
Animal Health Services	\$ 17,217	(14.5%)	(14.5%)	(4.8%)	31.2x	6.7x	25.6x	14.7x
Animal Care Products	\$ 6,202	0.1%	0.1%	10.7%	24.6x	15.1x	1.8x	11.5x
Pet Care Retailers	\$ 2,965	0.0%	0.0%	(0.9%)	18.5x	4.3x	0.9x	9.3x
Industry Average	\$ 8,552	(6.8%)	(6.8%)	4.6%	27.8x	15.2x	2.0x	15.2x
S&P 500 Average	\$ 37,974	(3.2%)	(3.2%)	(4.3%)	27.4x	5.3x	3.3x	12.0x

Sources: S&P Capital IQ, The Street - VCA Buys CAPNA as Pet Health Care M&A Deals Flourish, Venture Tennessee

PET SEGMENTS VS. S&P 500

RUNNING 12 MONTHS



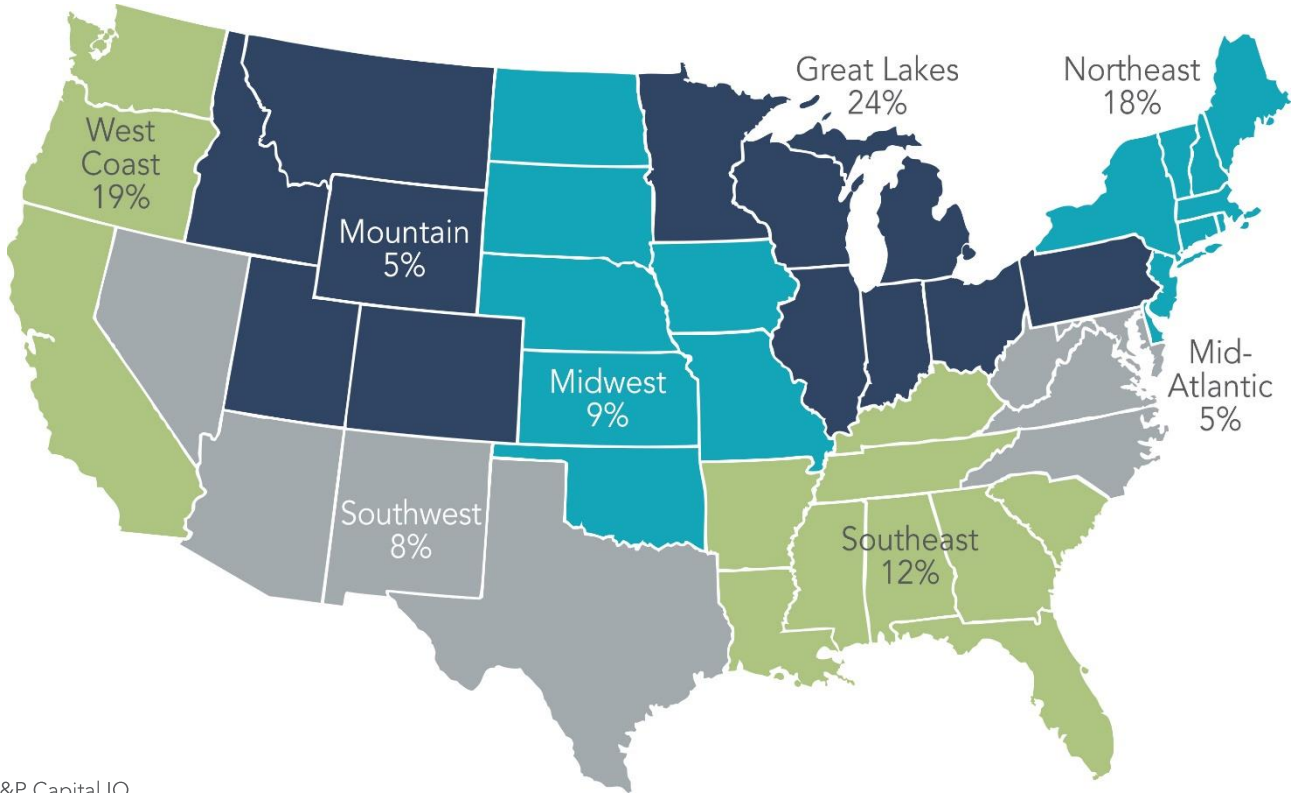
Source: S&P Capital IQ

*Market Cap impacted by BUFF's IPO



INDUSTRY GEOGRAPHY

PET COMPANY HEADQUARTERS BY REGION AS OF MARCH 31, 2016



Source: S&P Capital IQ

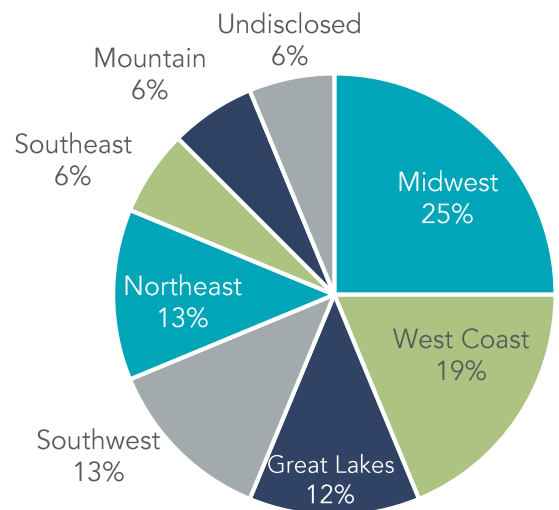
COMPANIES BY SIZE

State	\$ 0 - 5 Revenue	\$5 - 10 Revenue	\$10 - 25 Revenue	\$25 - 50 Revenue	\$50 - 100 Revenue	\$100+ Revenue	Undisclosed
AZ	2	0	0	2	1	2	8
CO	2	2	4	1	0	1	19
KS	1	1	4	1	0	1	9
ND	0	0	0	0	0	0	0
NE	0	0	1	0	2	1	4
NM	0	0	0	0	0	0	0
OK	0	1	1	0	1	0	4
SD	0	0	0	0	0	0	3
TX	0	0	6	2	2	2	34
UT	0	1	0	0	0	0	5
WY	0	0	0	0	0	0	2

Revenue in millions

Source: S&P Capital IQ

TRANSACTIONS BY REGION



Source: S&P Capital IQ

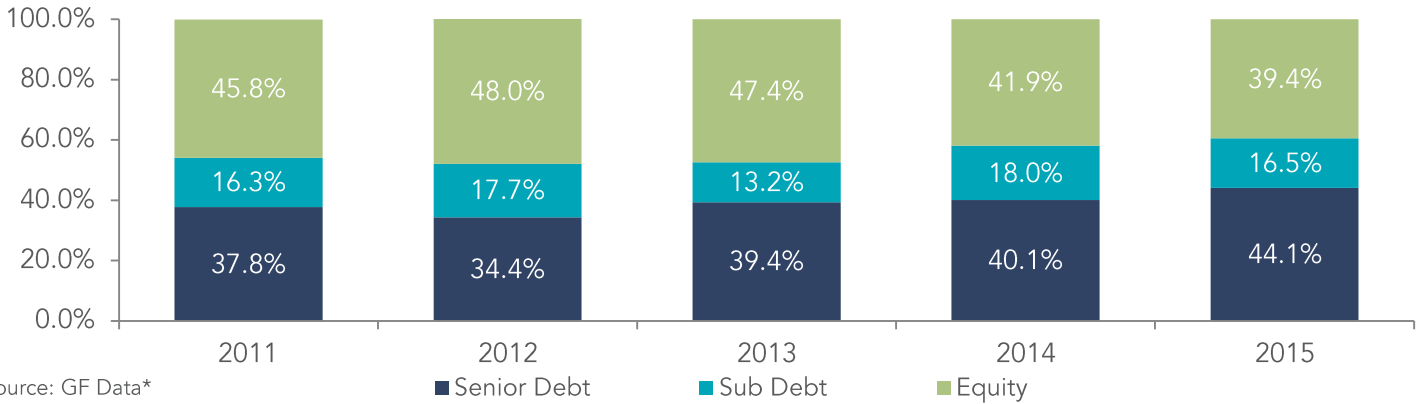
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theDEALhound

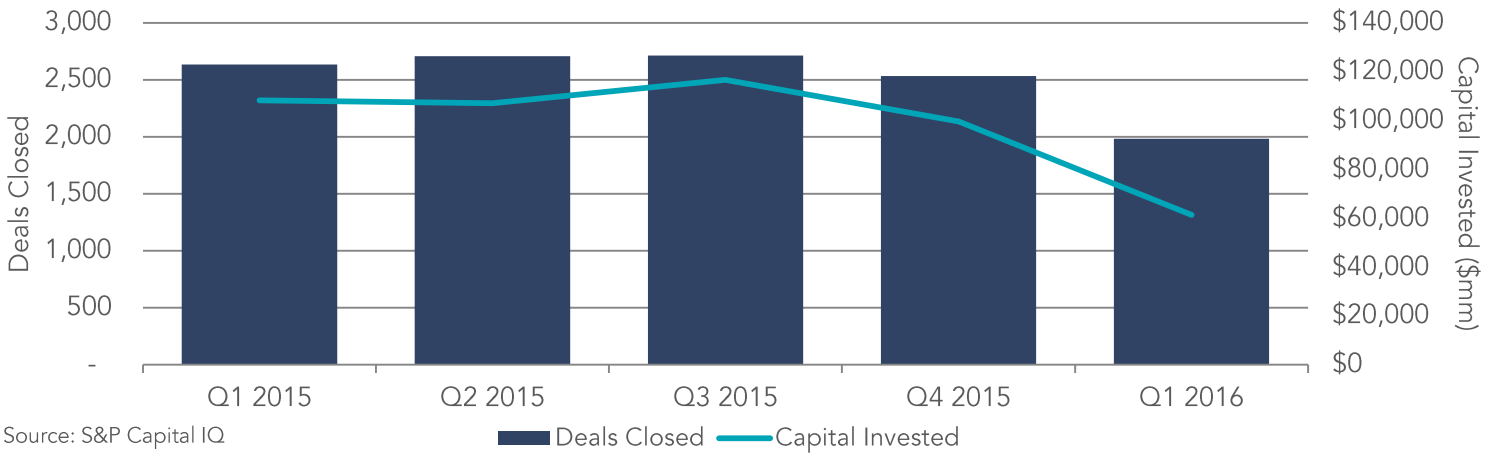
M&A MARKET ACTIVITY, OVERALL LOWER MIDDLE MARKET

CAPITAL STACK - \$10-25 MILLION TEV



Source: GF Data*

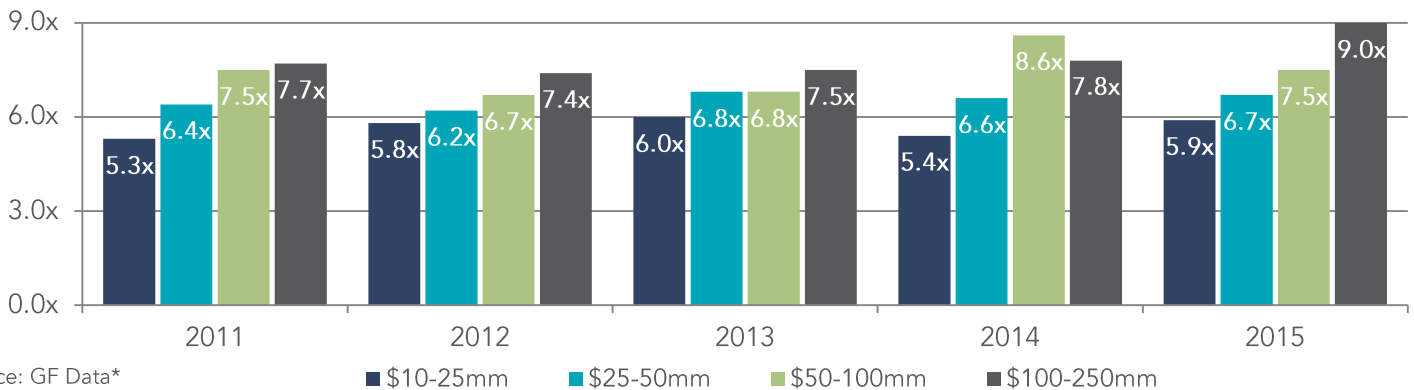
U.S. MIDDLE-MARKET M&A ACTIVITY



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 December 31, 2015 and lags one quarter behind the current quarter.

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.





ABOUT SDR VENTURES

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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SERVICES

TRANSACTION ADVISORY

Buy Side

Running a proven process effective at generating responses, identifying “off-the-radar” opportunities, negotiating and closing accretive acquisitions.

Sell Side

SDR specializes in middle-market M&A transactions and sell-side advisory. Our process is designed to identify the right buyer for your business.

PRIVATE CAPITAL FORMATION

Our expert advisors will help you create, evaluate and implement a private capital strategy that is optimal for your business and facilitates growth.

STRATEGIC CONSULTING

SDR’s consulting services provide you with the same dedication and expertise that we bring to our M&A and capital-raising engagements. We provide a broad range of consulting services tailored to meet your company’s needs.

RECENT TRANSACTIONS

<p>MARCH 2016</p>  <p>Colorado Scolding & Equipment Co. Inc.</p> <p>Has been acquired by</p>  <p>C&D Energy Services</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>DECEMBER 2015</p> <p>Abacus Partners LLC</p> <p>Has acquired</p>  <p>SealMaster Denver</p> <p>SDR Ventures BUY-SIDE TRANSACTION</p>	<p>DECEMBER 2015</p>  <p>Hollandia PRODUCE, LP</p> <p>Has retained funds to implement an Employer Stock Ownership Plan, with funding rolled by</p>  <p>MOSAIC CAPITAL PARTNERS</p> <p>and</p>  <p>THE SHAM FUND STRUCTURED EQUITY AND MEZZANINE</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>DECEMBER 2015</p>  <p>MCAD</p> <p>Has been acquired by</p>  <p>COMPUTER AIDED TECHNOLOGY</p> <p>A portfolio company of</p>  <p>MANGROVE CAPITAL PARTNERS</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>JULY 2015</p>  <p>InternetReputation.com™</p> <p>Has been acquired by</p> <p>Brownsters LLC</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>MAY 2015</p>  <p>AlphaCM</p> <p>Has been acquired by</p>  <p>Mediware™ A portfolio company of THOMA BRAVO</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>
<p>APRIL 2015</p>  <p>Waterman Instruments</p> <p>Has been acquired in a management buyout, with financing provided by</p>  <p>CVF CAPITAL PARTNERS Central Valley Fund</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>MARCH 2015</p>  <p>Miller & Associates™</p> <p>and</p>  <p>dedb</p> <p>Have been acquired by</p>  <p>precocity</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>MARCH 2015</p>  <p>MFS MOBILE FLEET SERVICE</p> <p>and</p>  <p>Carrier</p> <p>Has been acquired by</p>  <p>UTILITY Utility Trailer Sales of Idaho, Inc.</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>DECEMBER 2014</p>  <p>CPI PRODUCTS</p> <p>Deal financing provided by</p>  <p>GUARANTY BANK STRUCTURED EQUITY</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>OCTOBER 2014</p>  <p>RUBADUEWIRE</p> <p>Has been acquired by</p>  <p>Prestige WIRE COMPANY</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>	<p>AUGUST 2014</p>  <p>HORTALIA VENTURES</p> <p>Has been acquired by</p> <p>Private Investor Group</p> <p>SDR Ventures SELL-SIDE TRANSACTION</p>

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