

Branding: the cornerstone of success in the pet industry

SPOT ON | PETS | JUNE 2024

“An influential brand can unlock premium pricing, strengthen customer loyalty, and establish a competitive edge. This, in turn, can enhance a company’s financial success and market value, which may have a positive impact on its valuation.”

CHRISTOPHER RAHN
PETS SPECIALIST, OAKLINS

MARKET TRENDS

A favorable outlook

Current forecasts and analyses indicate the market is slowing down in terms of CAGR. Nevertheless, it still has significant potential to regain its historical momentum.

02

M&A ACTIVITY

Inorganic growth as a key driver

Leading strategic entities are leveraging current conditions to bolster their positions through inorganic growth, as shown by their role in 85% of transactions in 2023.

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VALUATION

Buy-side M&A could be on the rise

As company valuations, particularly in the veterinary and pet consumables sector, hit a three-year low, the environment is now favorable for buy-side opportunities.

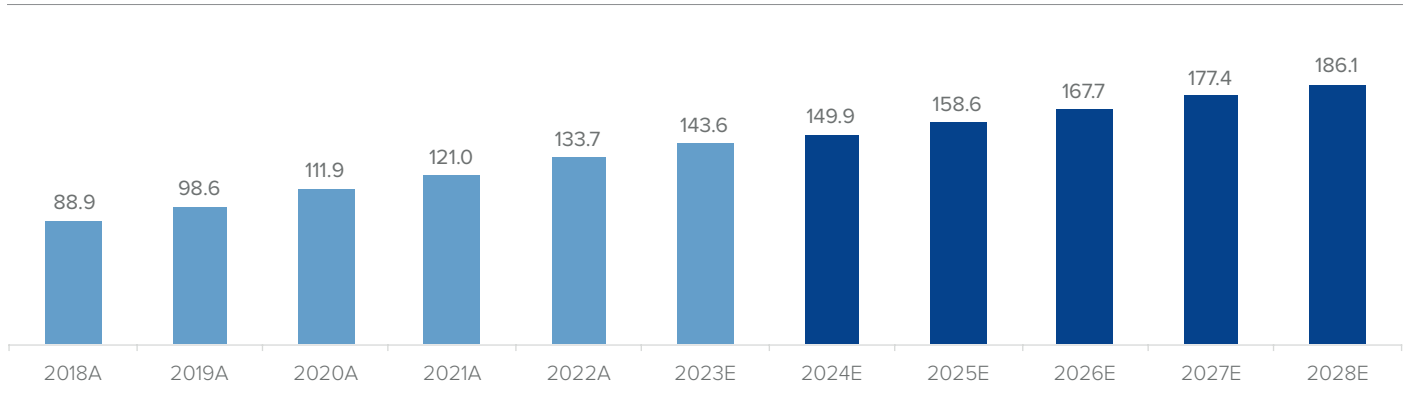
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Market trends

Global markets are experiencing a slowdown in average annual growth compared to previous years. Across all regions, the projected CAGR (Compound Annual Growth Rate) is falling short of historical levels, and while continued growth is anticipated going forward, it's expected to be less pronounced than in the past.

Global pet food market sales 2018A–2028E (in US\$ billion)



Sources: Oaklins research, Statista

	Africa	Americas	Asia	Australia & Oceania	Europe	Global
Historical CAGR¹	13%	12%	10%	3%	7%	10%
Future CAGR²	9%	6%	6%	3%	4%	6%

¹2018A-2023E, ²2024E-2028E

Sources: Oaklins research, Statista

Our segmentation of the pet market in this report



Pet consumables

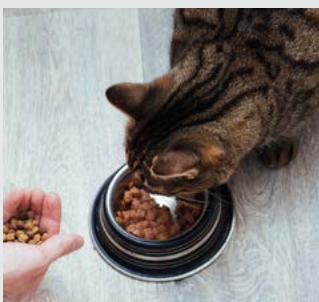


Pharmaceuticals

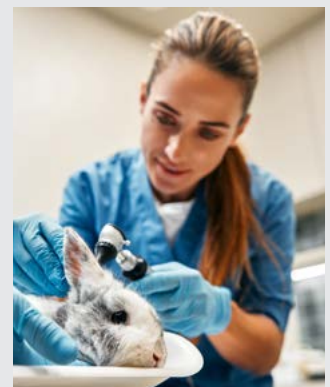


Veterinary services

Pet food



Pet accessories



MARKET DRIVERS

1. Trends like pet humanization and premiumization have led to high-quality products and healthier ingredients
2. Despite reduced consumption and increased inflation, there is optimism for the future
3. Meeting the demand for individual needs in pet care and creating strong brand loyalty are key to obtaining a competitive edge

BRANDING

Most important branding elements:

- Unique story that communicates a brand’s fundamental values and mission
- Attractive packaging with eye-catching elements
- Brand communication across all channels of advertising
- Strong corporate design (imagery, colors, logo...)

As pet owners continue to demonstrate an increasing willingness to invest in the well-being of their furry companions, the pet industry presents lucrative opportunities for high-end brands.

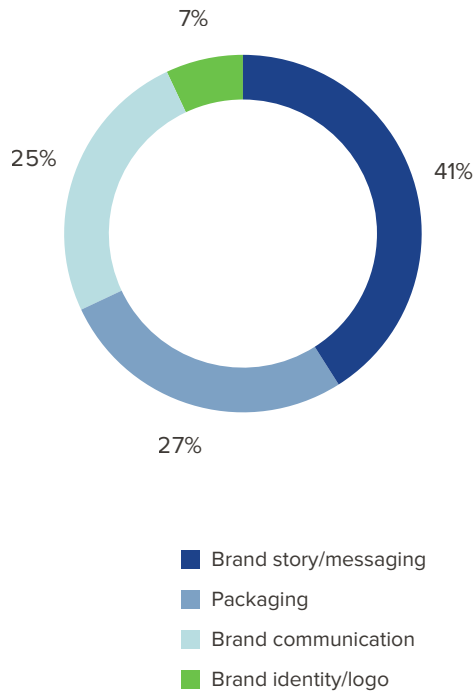
Below we delve into the pivotal elements that underpin the creation of a robust pet brand: storytelling, packaging, brand communication and brand identity. Discover why these factors hold such importance and how you can successfully carve your niche in the pet industry.

BRAND STORY AND MESSAGING

Pet owners today have extended their goals when it comes to their domestic companions — they not only want to provide for their animals but to care for them in as many ways as possible. Their desire for high-quality products that contribute to their pets’ health and happiness is a driving force. To ensure

WHAT KEY FACTORS ARE ESSENTIAL FOR BUILDING AN IDEAL BRAND?

Respondents to a survey on building an attention-grabbing pet brand were asked, ‘Which branding elements are the most important in a product’s success?’



Source: GlobalPETS

long-term success and distinctiveness, your brand story must resonate with these discerning consumers.

A compelling brand story should not only showcase your products but also articulate your brand’s values, mission and commitment to delivering quality. By weaving this narrative into your brand’s messaging, you create an emotional connection that goes beyond a simple transaction.

PACKAGING

When it comes to the packaging for pet products, aesthetics and functionality go hand in hand. The packaging should be visually attractive, immediately reflecting the product’s features, from its high quality to its contents. Employing vibrant illustrations or images can capture customers’ attention, and well-designed packaging makes your brand easily recognizable.

In today’s environmentally conscious world, sustainability is a growing concern. Pet owners seek packaging that is not only convenient but also eco-friendly, as this aligns with their values, and using this kind of packaging will reflect positively on your brand.

BRAND COMMUNICATION

Consistency is key when communicating your brand message. It should be seamlessly integrated across all communication channels, be it digital marketing, print advertising or social media. Harnessing the power of social media is particularly relevant for reaching younger generations who are devoted to their pets. Incorporate influencer marketing strategically to boost sales, targeting an engaged audience that resonates with your brand’s values and mission. Keep the message simple, clear and relevant to the predefined target audience.

BRAND IDENTITY (IMAGERY, COLORS, LOGO...)

Your brand's visual identity is crucial. A harmonious collaboration between your brand name, logo, color palette, font selection and imagery creates a consistent visual brand identity. Each element should be designed for easy recognition and swift processing by consumers.

More importantly, your brand's identity should reflect its core values and mission. It's the face of your brand, and it should speak volumes about what your brand stands for, appealing to the hearts and minds of pet owners.

To establish a unique pet brand, delve into your brand's essence by asking fundamental questions, such as: What is your brand's story, what sets your products apart, who's your target audience, what message do you convey, and what are your core values and mission?

With your core values defined, focus on effectively communicating your brand's essence through its visual identity, messaging and packaging to create the strength and distinctiveness needed for success in a competitive market.

THE POWER OF BRANDS: WHY BRANDING IS CONSIDERED A CORE VALUE DRIVER IN COMPANY VALUATIONS

A strong brand is far more than just an adornment. It's a valuable asset that can significantly impact company valuation, especially in the pet industry. In today's competitive pet market, brand strength plays a crucial role in creating added value and long-term success.

Lately, there has been a growing trend where a rising number of acquired companies in the pet industry retain at least one firmly established proprietary brand. Companies such as Mammaly and Kippy, for example, have sparked considerable interest among prospective investors due to the strength of their brands. Businesses with such well-established brands

consistently enjoy high demand within the M&A market. Investors acknowledge that robust brands provide significant advantages and deliver substantial benefits.

PRICING AND COMPETITIVENESS IN THE PET INDUSTRY

In the pet industry, the power of a strong brand is particularly evident. Pet owners are often deeply attached to their pets, and seek the best products and services for their beloved companions. A strong pet brand is not only trusted but often preferred by pet owners, enabling companies to command higher prices for pet products or services.

Customers are willing to pay a premium for pet products from brands they trust and have had positive experiences with. This leads to higher revenues and profit margins, which directly affect the market value of pet-related businesses. An established pet brand can also enhance a company's competitiveness in the pet industry. In a highly competitive market, the recognition of and trust in a pet brand can help in luring customers away from rival companies. This competitive advantage results in a stronger market position and boosts brand value, which positively impacts company valuation.

CUSTOMER LOYALTY AND LONG-TERM SUCCESS

In the pet industry, customer loyalty is of paramount importance and strong pet brands have the capacity to retain customers over the long term. Pet owners often develop strong emotional bonds with brands that consistently deliver high-quality products and services.

These emotional connections lead to long-term customer relationships, which are essential for the sustained success of pet-related businesses. A flourishing pet brand establishes trust and credibility, which is crucial in this industry, as pet owners can be exceptionally discerning. Customers seek reliable brands they can entrust with the well-being of their pets, leading

to brand loyalty that ultimately increases the value of pet businesses.

THE ADVANTAGES OF DIVERSIFICATION

In the pet industry, companies with diversified brands that stand out from the competition hold a special appeal for investors. These brands offer a wide range of pet-related products and services, catering to various aspects of pet care and ownership. Investors favor such diversification for several reasons, including that such companies are seen as more resilient to market fluctuations due to their varied offerings, which reduces reliance on a single product category. This diversification mitigates risk and supports consistent growth.

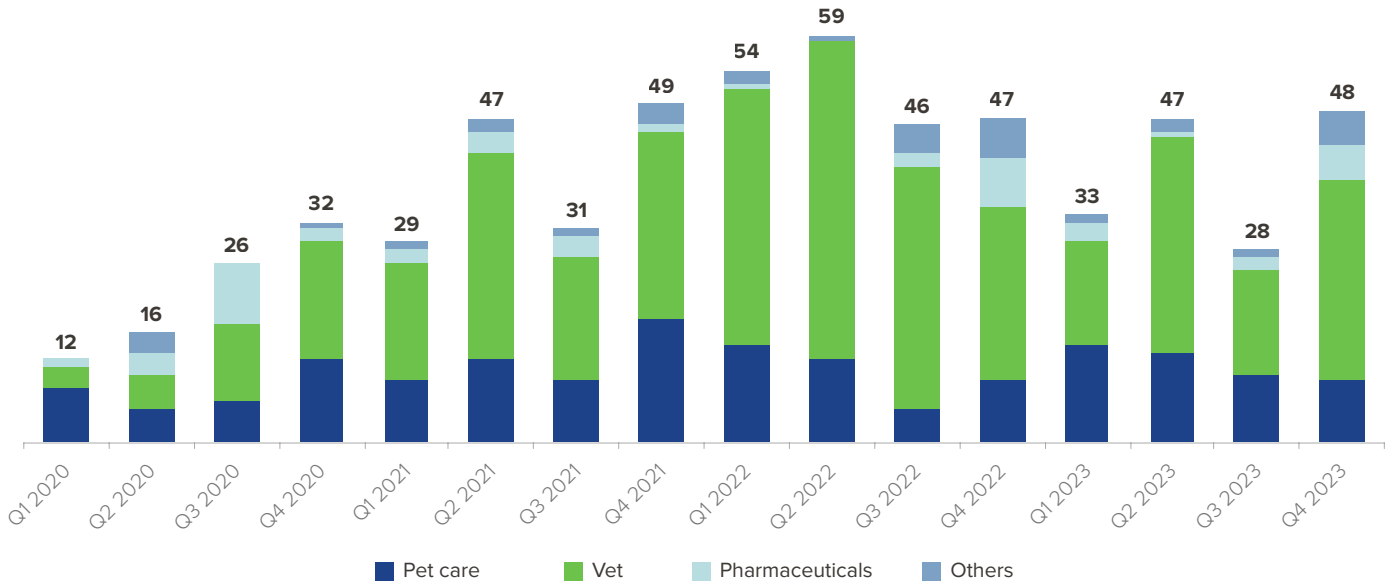
INVESTOR CONFIDENCE AND HIGHER VALUATIONS IN THE PET INDUSTRY

A strong pet brand not only attracts customers but also investors. Investors recognize the pet industry's growth potential, and view a strong pet brand as an asset that can shield a company from market fluctuations. They are willing to pay higher prices for shares or stakes in pet-related companies with strong brands. A high brand valuation can lead to an overall higher company valuation. This may manifest in a higher stock price, greater market capitalization or improved access to capital, all of which are particularly valuable in the pet industry.

The impact of a strong brand on company valuation cannot be underestimated, especially in the pet industry. Brand value can lead to higher pricing, bolstered competitiveness, long-term customer retention and investor trust. All these factors contribute to increasing the overall value of pet-related companies and securing their long-term success. In the pet industry, companies that invest in building and nurturing a strong brand reap the rewards in the form of a higher company valuation and long-term prosperity.

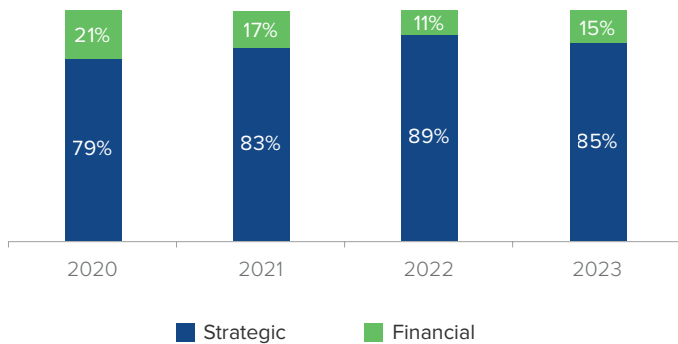
M&A activity

Number of pet-related transactions with European participation on a buyer, seller or target level



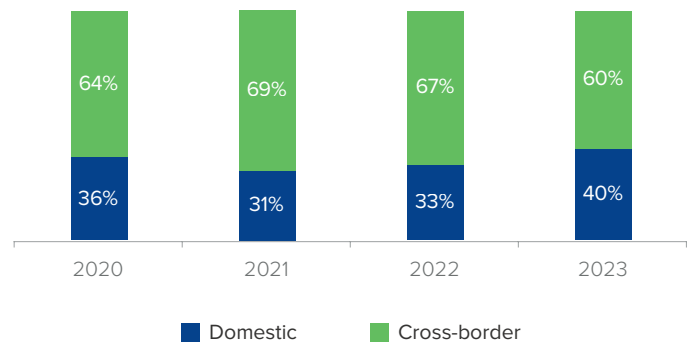
Source: Mergermarket

Strategic vs financial buyers



Source: Mergermarket

Domestic vs cross-border



































Source: Mergermarket

OVERVIEW OF RECENT TRANSACTIONS

- Acquisitions within the pet market were primarily driven by pet food companies and veterinary clinics. The demand for target companies in the pet accessories sector has noticeably declined.
- Deal activity was rather low in the pharmaceutical and other (e.g. pet insurance, pet crematoria) sectors.
- After the increase in M&A activity in 2021 that reached a peak in Q2 2022, the pet market saw a slight decline in transactions in 2023.
- Interest rate developments, inflation rates, consumer behavior shifts and uncertain macroeconomic forecasts currently pose challenges to operating activities and, hence, have shifted the focus to operations rather than M&A.
- Strategic players dominated M&A activity in the overall pet market as they pursued inorganic growth strategies to gain market share. They also benefited from synergies in know-how and product extensions.
- Cross-border transactions continued to dominate deal activity in the pet market. This was driven by the potential for accelerated growth and access to new markets.
- Companies operating in the vet and pharmaceutical sectors attained slightly elevated multiples compared to those in the pet market.

SELECTED TRANSACTIONS INVOLVING EUROPEAN COMPANIES

Date*	Target	HQ	Deal description	Buyer	HQ
Dec-23			Assisi Pet Care Group, a pet food supplier backed by PE firm Wind Point Partners, has acquired Burns Pet Nutrition, a company known for its high-quality pet food products		
Nov-23			Apax Partners LLP, a private equity firm, has acquired an undisclosed stake in Petvisor, a provider of professional veterinary and pet care software		
Oct-23			EQT AB, a private equity firm, has acquired Vetpartners Australia, an operator of a network of veterinary clinics and animal health services		
Sep-23			Five Seasons Ventures Sarl, a venture capital firm, has acquired an undisclosed stake in Mammaly, a foodtech start-up providing pet food		
Sep-23			Empet AS, a dental care provider for animals, has acquired Smådyrkliviken, a provider of veterinary services including care, diagnostics, surgery and emergency care		
Sep-23			Mars Inc., a manufacturer of confectionery and animal food and pet care products, has acquired Synlab, a provider of specialist veterinary laboratory diagnostics		
Aug-23			Zoetis Inc., a manufacturer of animal pharmaceuticals and provider of diagnostic devices, has acquired PetMedix, a veterinary biopharmaceutical company		
Jul-23			Rivolier SAS, a hunting guns and weapons supplier, has acquired Compagnie des Pet Foods, a designer, importer and distributor of pet products		

*Announced or closing date



Pet consumables



Pharmaceuticals



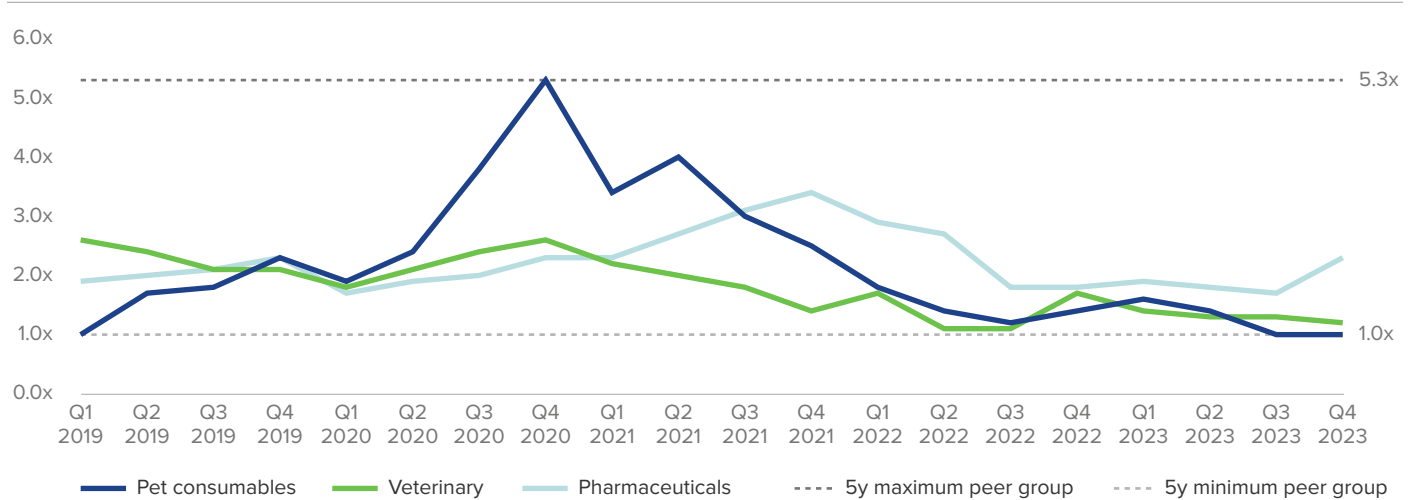
Veterinary services



Valuation trends

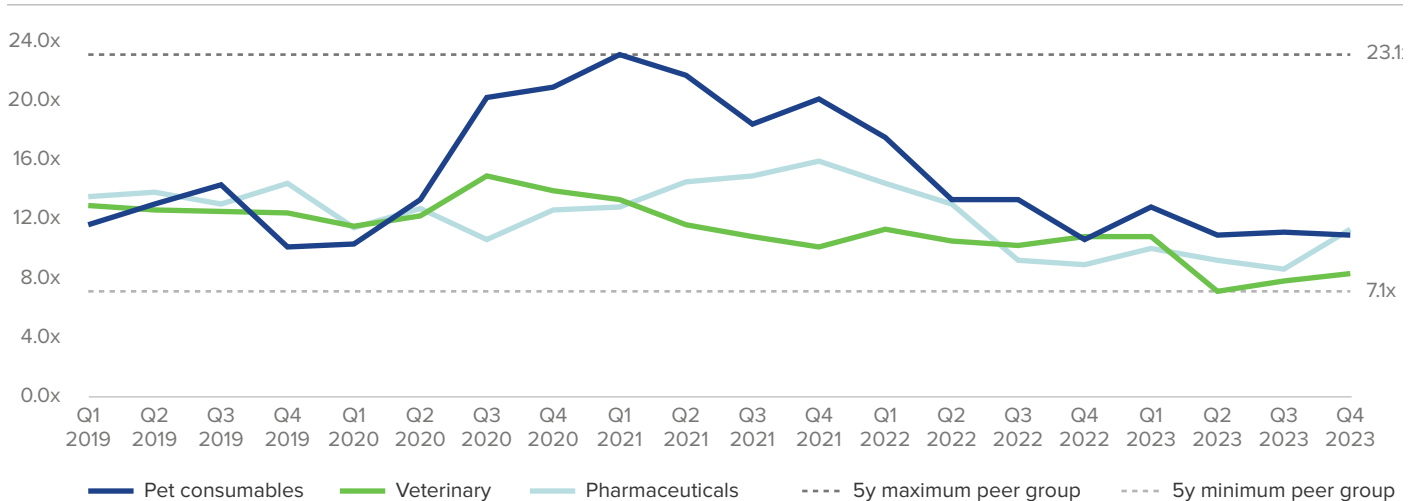
Valuations of comparable companies (Q1 2019–Q4 2023)

EV/Sales



Sources: Capital IQ and company websites

EV/EBTIDA



Sources: Capital IQ and company websites

VALUATION LEVELS OF LISTED COMPANIES IN THE PETS MARKET

- The comparable company analysis is based on 13 companies active in pet consumables, five companies in the veterinary market and five companies in pharmaceuticals.
- The EBITDA multiples and sales multiples of the selected veterinary and pharmaceutical companies remained relatively stable. In contrast, the multiples for pet consumables displayed a notable degree of volatility.
- One possible reason for this could be that consumer attitudes, particularly toward pet supplies, began to change as inflation became more prevalent, leading to significant volatility in multiples within the pet supplies sector.
- In recent quarters, we have seen a general decline in multiples, possibly influenced by macroeconomic factors such as rising interest rates, inflationary pressures and supply chain complexity.
- These low valuation levels mean that acquisitions are particularly cheap at the moment. This creates a very favorable environment for buy-side M&A activity.

Conclusion

The European pet food market is poised for stable growth, with a projected CAGR of 4% between 2023E and 2028E. During this period, the global market is expected to expand from a total size of US\$143.6 billion to US\$186.1 billion. Dogs and cats are expected to continue to account for the largest share of the pet food industry.

This growth can be attributed to ongoing market trends such as humanization, premiumization and an increasing eco-consciousness. These trends have increased consumers' willingness to pay more for their pets' food, resulting in higher quality products with healthier ingredients. In addition, pet food companies are placing greater emphasis on marketing and e-commerce channels to meet the evolving needs of pet owners. Brands adopting green practices and transparent sourcing are gaining favor, as pet owners align their values with their pets' care.

In order to maintain a competitive edge in this market, companies must consistently meet the growing demand for premium and eco-conscious pet food, and cultivate strong brand loyalty among consumers. With these trends in mind, the pet food industry is well-positioned for continuous growth and innovation in the years ahead.

MARKET TRENDS

- **Humanization:** Pet owners treat their pets like family members, which leads to higher spending on them
- **Eco-consciousness:** Demand for sustainably sourced, ethically produced pet products
- **Premiumization:** Higher spending on high-quality, specialized products and services for health or wellness benefits

M&A ACTIVITY

- In the past, strategic buyers dominated M&A activity across the pet market as companies pursued an inorganic growth strategy
- High volume of cross-border transactions driven by the potential for accelerated growth and access to new markets
- Uncertain macroeconomic forecasts have shifted the focus of many companies from M&A activity to the operations side of the business

DEAL DRIVERS

- Low valuation levels due to macroeconomic factors also create a cheap environment for acquisitions
- Companies are looking to acquire innovation, technology and new channels of distribution
- The pet market offers complementary product and service synergies





























OUTLOOK

- Relatively low-risk and highly attractive market conditions
- Emerging trends such as wellness and preventive diagnostic testing for pets are expected to drive market growth
- Millennials tend to spend more on their pets as they tend to delay having children, and when they do, have smaller families than in the past



Our track record

A selection of Oaklins' experience in the pets industry.

 <p>has acquired</p>  <p>M&A BUY-SIDE Consumer & Retail</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Consumer & Retail</p>	 <p>has been acquired by</p> <p>Merit Capital & Aiglon Capital</p> <p>M&A SELL-SIDE Consumer & Retail/Private Equity</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Consumer & Retail/Healthcare/Private Equity</p>
 <p>has sold a 65% stake to</p>  <p>M&A SELL-SIDE Consumer & Retail/Other Industries</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Consumer & Retail/Food & Beverage/Private Equity</p>	 <p>has acquired</p>  <p>M&A BUY-SIDE Agriculture/Consumer & Retail/Food & Beverage/Healthcare</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Consumer & Retail/Private Equity</p>
 <p>has acquired</p>  <p>M&A BUY-SIDE Agriculture/Consumer & Retail/Food & Beverage/Healthcare</p>	 <p>has sold 12 locations to</p> <p>a private real estate investor</p> <p>M&A SELL-SIDE Consumer & Retail/Private Equity/Real Estate</p>	 <p>Completed Fundraising</p> <p>FUNDING, DEBT ADVISORY & ECM Consumer & Retail</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Agriculture/Consumer & Retail/Food & Beverage/Private Equity</p>
 <p>has been acquired by</p>  <p>M&A SELL-SIDE Agriculture/Consumer & Retail/Food & Beverage</p>	 <p>has acquired</p>  <p>M&A BUY-SIDE Agriculture/Consumer & Retail/Other Industries</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Consumer & Retail/Healthcare</p>	 <p>has been acquired by the</p> <p>CEO</p> <p>M&A SELL-SIDE Consumer & Retail/Private Equity</p>

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Oaklins brings you opportunities from across the world and we meet you with our expertise wherever you are

OAKLINS OFFERS A COMPREHENSIVE RANGE OF SERVICES

- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

Pets is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become one of the most experienced M&A advisors in the pet sector, with a large network of relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for pet companies.

If mergers, acquisitions, or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.



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Christopher leads Oaklins' pets team and is a director at Oaklins Germany. As part of his pet sector focus, Christopher continuously follows developments, publishes reports, attends the major events and maintains regular contact with the key players. Consequently, he has a deep understanding of the market dynamics and value drivers in the sector. Selected transactions Oaklins Germany has completed in the pet market include the sale of Seitz, a leading manufacturer of premium pet food and BARF products, to the financial investor BPE, and the sale of H. von Gimborn, a provider of premium cat and dog snacks, to the financial investor Hillhouse Capital.

United by a strong belief that we can achieve the extraordinary. Oaklins is a global team of 800+ financial advisory professionals in 40 countries providing M&A, growth equity, ECM, debt advisory and corporate finance services to support entrepreneurs, corporates and investors in reaching their goals.

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