

# CONSUMER & RETAIL

## Q3 2024 MARKET UPDATE

### *Pet Industry Premiumization Sparks Investor Interest in Pet Supplements*

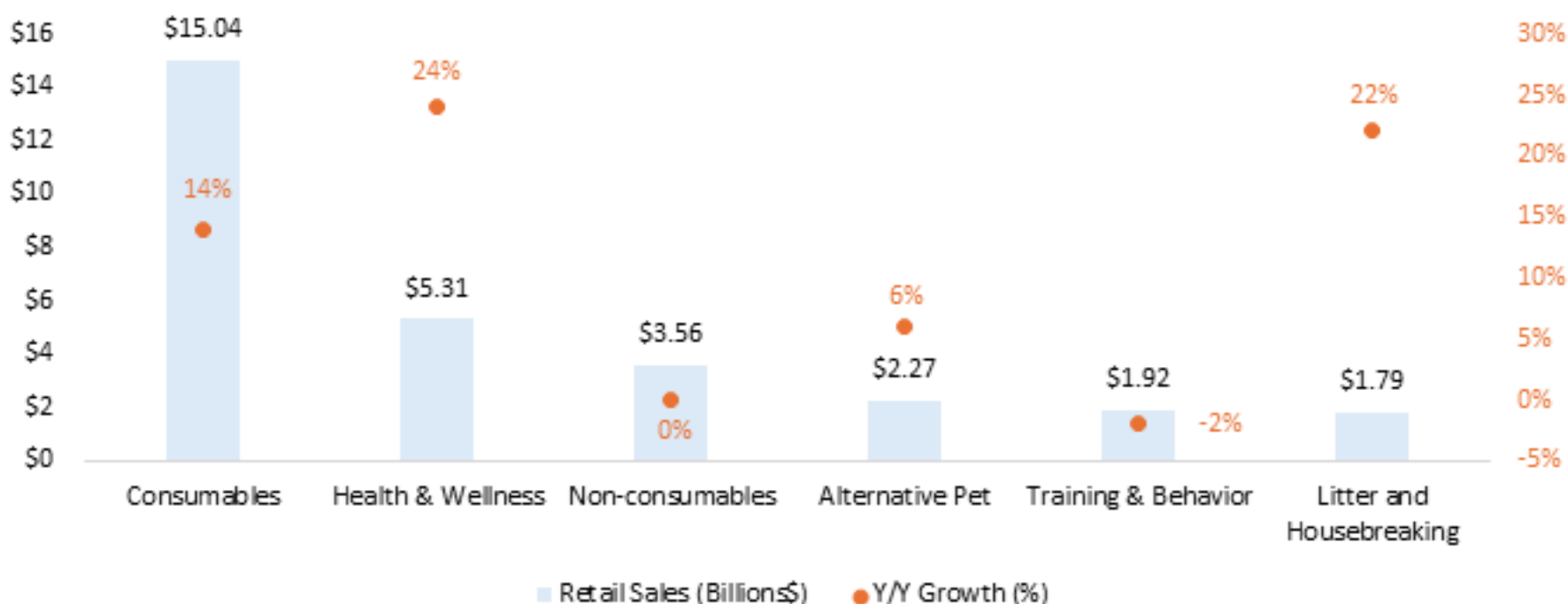
Pets are people, too, or so global spending patterns might suggest. The total pet industry is projected to increase from \$320 billion today to almost \$500 billion by 2030.<sup>i</sup> The U.S. represents 40% of the market, with sales expected to approach \$200 billion by 2030.<sup>ii</sup>

In 2023, 86.9 million (66%) American households included pets as members. While this number represents a decline from 90.5 million in 2022, total spending on those pets still rose.<sup>iii</sup>

What is driving this growth? Pet owners are investing in their animals’ physical and emotional well-being via preventative wellness products and services.

### **Supplements and the Surging Health & Wellness Category**

From specialized nutrition to luxury spa services, premiumization has touched every corner of the pet industry. The health & wellness category is a standout, growing 24% in 2023 compared to the 10% average annual growth experienced by all pet supply segments.<sup>iv</sup> When it comes to wellness, consumers seem to be following the adage that what’s good for the goose (themselves) is good for the gander (their pets). The category evolution, from flea and tick treatments to dental hygiene solutions to diagnostic kits and supplements, seems to support this echo effect—particularly in the supplements space.



Source: Latest Trends in Pet: For Key Dynamics and How Brands Can Capitalize. Stackline. (2024, March 12).

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The global pet supplements market size is expected to reach USD 1.05 billion by 2027, expanding at a CAGR of 6.4% over the forecast period, according to a report by Grand View Research, Inc. Growing awareness regarding the maintenance of pet health is one of the key factors driving the market.<sup>v</sup>

### Tailored for Today's Pets

Growth in the pet supplement market is expected to make up approximately 20% of the U.S. health & wellness category by 2027<sup>vi</sup> and offers a reflection of the changing pet experience:

- **Anxiety:** With people venturing out of their homes post-pandemic, pets were left with lonelier days and a spike in anxiety. Popular calming supplements have become a relied-upon remedy.
- **Gut health:** In the wild, animals acquire friendly bacteria—that kind that benefits the microbiome and results in clear skin and a healthy gut—from natural sources, like prey, fermenting plant matter, and even social behaviors like grooming.<sup>vii</sup> For modern pets who don't engage in these behaviors or suffer from an altered gut, probiotics can offer relief.
- **Old age:** Pet owners' investment in preventative wellness has resulted in pets living longer and contending with geriatric health issues, like joint pain.

As the humanization of pets changes companion animals' lifestyles and introduces new health challenges, the pet supplement market is poised with over-the-counter solutions.

### The Investor Opportunity

In recent years, the pet industry has proven to be an attractive area for private equity investment because it is a growing, recession-proof, recurring-purchase category for which consumers are willing to pay a premium for their furry family members. Two leading sponsors, Gryphon Investors ("Gryphon") and Alpine Investors ("Alpine"), exemplify the opportunity by building platforms dedicated to and inclusive of pet supplements, respectively.

**Vetnique**, founded by veterinarian James Bascharon, DVM, was acquired by Gryphon in April 2023. According to the company website, Vetnique offers eight brands of unique, veterinary-developed products (five of which are supplements) sold worldwide through direct-to-consumer, specialty retail, and veterinary distributor channels. Vetnique not only promises vet oversight in product development but subtly signals vet endorsement by selling through clinics.

**Antelope**, a pet platform created by Alpine investors in 2021, was founded with the mission to elevate the lives of all pets by delivering the highest quality products across all consumable categories. The platform currently includes brands that offer premium treats, CBD supplements, digital pet insurance, and high-quality whole food for dogs and cats. Sold online and through a range of retailers, from Whole Foods to Target to PetCo to specialty stores, Antelope brands have a broad distribution network.

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### Advice for Operators

Companies entering the cluttered pet supplement market should leverage learning from the Vetnique and Antelope models and focus on three key areas:

- 1. Invest in Credibility:** By spending on certifications, quality control processes, and science-backed trials, operators have a stronger claim on product efficacy in the often murky supplement market. Get started by:
  - Building a team that includes veterinarians in management and board positions.
  - Conducting clinic trials and sharing data to promote transparency and measurable insight into product effectiveness.
  - Pursuing the National Animal Supplement Council (NASC) seal of approval to prove strong quality control processes.
  - Obtaining a certificate of analysis (COA) from the manufacturer for each product.
  - Adhering to strict labeling guidelines.
- 2. Differentiate:** Attendees of the annual Global Pet Expo can attest to the magnitude of the pet market, which is teeming with brands seeking to stand out—many of which burn out. Differentiation is the key to market longevity and depends on product quality, demonstrated credibility, and brand authenticity. In the pet space, nothing is more authentic than an understanding and celebration of people's profound love for their pets. Capturing that central emotion and giving it back to the consumer through the brand experience will help to set companies apart.
- 3. Dig into Distribution:** Consumers expect products to be everywhere they are, making omnichannel sales essential. Companies need to develop a diverse distribution network and leverage credibility and brand differentiation to distinguish themselves in the digital marketplace and on the shelves of brick-and-mortar stores. Having an omnichannel presence can be the reason a company gets acquired, while seeking to build one with a partner may be the motivation to sell.

Investors and operators focusing on any or all of these areas will require capital and potentially M&A activity to gain the competitive advantages required to lead the pet industry pack.

### Endnotes

- [Global Pet Industry To Grow To \\$500 Billion By 2030, Bloomberg Intelligence Report Finds.](#) Bloomberg. (2023, May 24).
- [Global Pet Industry To Grow To \\$500 Billion By 2030, Bloomberg Intelligence Report Finds.](#) Bloomberg. (2023, May 24).
- [4 Retail Pet Trends At Petco, Amazon And Others.](#) Forbes. (2024, January 22).
- [Four Key Trends in Pet Supplies and How Brands Can Capitalize.](#) Stackline.
- [Pet Supplements Market Size Worth \\$1.05 Billion by 2027 | CAGR: 6.4%: Grand View Research, Inc.](#) PRNewswire. (2020, April 06).
- [United States Pet Supplements Market Report 2023: A \\$1.4 Billion Market by 2027 - Marketers Seek New Ways to Make Supplements an Integral Part of Pets' Wellness Routines.](#) PRNewswire. (2023, May 18).
- [Effects of domestication on the gut microbiota parallel those of human industrialization.](#) National Library of Medicine. (2021, March 21).

# G2 Q3 2024 TEAM ANNOUNCEMENT

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## Morgan Ley

Managing Director  
Consumer & Retail  
Boston, MA

### Announcement:

G2 is pleased to announce that Morgan Ley has joined the firm as Managing Director in the Consumer & Retail group. With over 30 years of experience in mergers and acquisitions, capital raising, and strategic advisory for middle-market companies, Morgan specializes in the consumer retail and sustainability sectors. His deep expertise in deal structuring and capital markets, combined with his client-centric approach, will further elevate G2's capabilities.

*"Morgan's extensive experience and proven track record in the consumer and retail sectors make him an invaluable addition to our team," said Heidi Piché, Managing Director, C&R, G2. "His expertise in deal structuring and capital markets, combined with his commitment to client success, aligns perfectly with G2's mission to deliver exceptional outcomes for our clients."*

### Background:

Morgan joins G2 Capital Advisors' team following a distinguished career at Canaccord Genuity, where he served as Managing Director in the U.S. Investment Banking division. Prior to Canaccord, Morgan held senior roles at Raymond James and SunTrust Robinson Humphrey, where he built a strong reputation for executing both public and private transactions.

# G2 Q3 2024 HIGHLIGHTED TRANSACTION

Food & Beverage

## Project Cheese

Sell-Side Advisor

### About the Client:

*The Company is a leading brand in the better for you cheese snack segment, producing unique products by leveraging 100% cheese in every crisp. The Company creates a crispy, crunchy, and delicious protein-centric snack through proprietary recipes, while innovating and expanding product lines to fuel continued growth.*

### About the Situation:

*The cheese crisp industry saw strong demand during the height of the Keto diet and has since experienced headwinds due to shifting consumer demand. The Company invested heavily into building an insourced manufacturing operation, which experienced cost overruns and did not yield enhanced margins along the target timeline. Declining revenues, softer consumer demand and margin deterioration led the Company to explore strategic alternatives.*

### About the Engagement:

*G2 served as the exclusive financial advisor to the Company, providing financial advisory services to guide the Company with stakeholder dynamics, and ultimately engaged G2's Consumer & Retail practice to run an expedited sale process. Leveraging C&R relationships, G2's team ran an expedited sale process culminating in the eventual sale of the intellectual property of the business.*

### Outcome:

*In August 2024, the Company sold its portfolio of intellectual property to a consumer-focused sponsor which allowed the brand to continue operating with a new capital partner.*

# FEATURED ONGOING G2 PROJECTS

*Food Distributor*

## PROJECT LAMAI

Sell-Side

**About the Mandate:**

*G2 is currently serving as exclusive sell-side advisor to a leading Asian food distributor.*

*Fitness Franchisee*

## PROJECT CARDIO

Sell-Side

**About the Mandate:**

*G2 is currently serving as the exclusive sell-side advisor to a fitness franchise business.*

*Fast-Food Franchisee*

## PROJECT STETSON

Financing

**About the Mandate:**

*G2 is currently serving as the exclusive financial advisor to a 25+ location fast-food franchise.*

*Fast-Food Franchisee*

## PROJECT TAKEOUT

Restructuring

**About the Mandate:**

*G2 is currently serving as the exclusive restructuring advisor to a 150+ location fast-food franchise business.*

*Fitness Franchisee*

## PROJECT FIT

Restructuring

**About the Mandate:**

*G2 is serving as Chief Restructuring Officer for a large fitness franchise. The scope of the mandate includes liquidity management and negotiating a broader restructuring transaction.*

*Produce Distribution*

## PROJECT FRUIT

Buy-Side

**About the Mandate:**

*G2 is currently serving as the exclusive buy-side advisor to a produce distributor.*

# KEY C&R TRADING STATISTICS

Sector	Number of Companies	Median Enterprise Value (\$MM)	LTM <sup>1</sup>			
			Median Revenue Growth	Median EBITDA Growth	Median EV / Revenue	Median EV / EBITDA
Multi-Unit Consumer	23	\$4,409	1.1%	1.5%	2.5x	15.0x
Food & Beverage	28	\$21,762	0.1%	2.2%	1.6x	12.4x
Health & Wellness	21	\$4,576	-0.6%	2.7%	1.7x	11.5x
Consumer Goods	26	\$7,254	-0.2%	-0.4%	1.4x	12.5x

1) LTM September 30, 2024  
Source: S&P Capital IQ

# SELECT Q3 2024 M&A TRANSACTIONS

DATE	ACQUIRER	TARGET	DESCRIPTION
Jul-2024	Elite Restaurant Group, Inc.	MOD Super Fast Pizza Holdings, LLC	MOD Super Fast Pizza Holdings, LLC owns and operates a network of company-owned and franchised pizza restaurants.
Jul-2024	Darden Restaurants, Inc.	Chuy's Holdings, Inc.	Chuy's Holdings, Inc., through its subsidiaries, owns and operates full-service restaurants under the Chuy's name in the United States.
Jul-2024	Mistral Capital Management, LLC; Verlinvest Usa, Inc.	Insomnia Cookies, LLC	Insomnia Cookies, LLC operates a chain of bakeries that produces cookies.
Jul-2024	Manna Tree Partners	Verde Farms, LLC	Verde Farms, LLC produces grass-fed beef products for retail, wholesale, foodservice, and ingredient customers.
Jul-2024	Califia Farms, LLC	Uproot Inc.	Uproot Inc. processes and sells plant-based milk for use in cafeterias in schools, hospitals, cafes, and offices.
Aug-2024	Meaningful Partners LLC	Fitness Ventures, LLC	Fitness Ventures, LLC operates physical fitness facilities in USA.
Aug-2024	Benford Capital Partners, LLC	Turri's Italian Foods, Inc.	Turri's Italian Foods, Inc. manufactures frozen Italian specialties for restaurant chains, industrial customers, custom manufacturers, and food service distributors.
Aug-2024	Create Restaurants DE LLC	Wildflower Bread Company LLC's restaurant business	Wildflower Bread Company LLC's restaurant business comprises restaurant business.
Aug-2024	Extraordinary Brands, LLC	Neighborhood Barre	Neighborhood Barre operates as fitness studio that offers workouts of dance conditioning, pilates, and resistance training to sculpt and tone.
Aug-2024	Mars, Incorporated	Kellanova	Kellanova, together with its subsidiaries, manufactures and markets snacks and convenience foods in North America, Europe, Latin America, the Asia Pacific, the Middle East, Australia, and Africa.
Aug-2024	Performance Food Group Company	Cheney Bros., Inc.	Cheney Bros., Inc., doing business as Cheney Brothers, Inc., distributes and exports food products to the food service industry in the United States, the Caribbean, Mexico, and Latin America.
Aug-2024	Sun Holdings Inc.	Tavistock Freebirds, LLC	Tavistock Freebirds, LLC operates a chain of restaurants in California, Texas, and Oklahoma.
Aug-2024	Flynn Group	83 Wendys Restaurants in New Jersey and Pennsylvania	As of August 15, 2024, 83 Wendy's Restaurants in New Jersey and Pennsylvania was acquired by the Flynn Group.
Aug-2024	KKR & Co. Inc.; KKR North America Fund XIII SCSp	Varsity Brands, LLC	Varsity Brands, LLC, engages in inspiring achievement and creating memorable experiences for young people.
Sep-2024	Sycamore Partners Management, L.P.	Playa Bowls, LLC	Playa Bowls, LLC operates as a restaurant that serves communities with healthy fruit bowls.
Sep-2024	Keystone Capital Management, L.P.	Om Trading d/b/a Om Produce	Om Trading is a a rapidly growing distributor of ethnic food products.
Sep-2024	KBP Brands	85 Sonic Restaurants	As of September 4, 2024, 85 Sonic Restaurants was acquired by KBP Brands.

Source: S&P Capital IQ



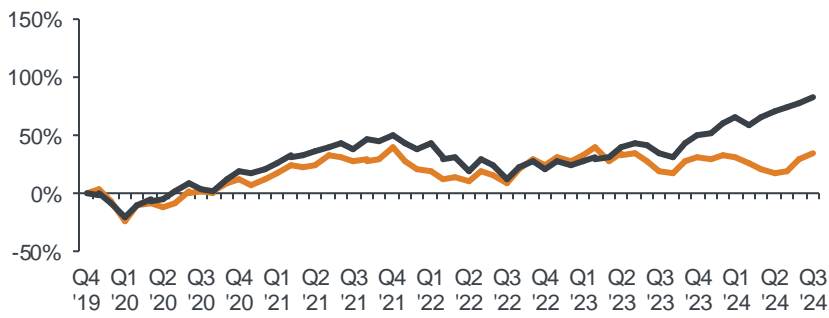
# SELECT Q3 2024 M&A TRANSACTIONS

DATE	ACQUIRER	TARGET	DESCRIPTION
Sep-2024	Thrive Restaurant Group, LLC	ModMarket, LLC	ModMarket, LLC, doing business as Modern Market, owns and operates restaurants.
Sep-2024	Perricone Farms	Natalie's Orchid Island Juice Company	Natalie's Orchid Island Juice Company produces and sells fresh squeezed citrus juices.
Sep-2024	Cooper Street Cookies, Llc	Harvest Valley Bakery, Inc.	Harvest Valley Bakery, Inc. engages in manufacturing packaged food products.
Sep-2024	Ambre Delice	Takul	Takul engages in the manufacturing of halal meat.
Sep-2024	Bansk Group LLC	Foundation Wellness	Foundation Wellness manufactures insoles and cushions, and footbeds and foot care products for orthotics, health, and wellness product manufacturers, and sporting goods, military, industrial, and consumer products industries.
Sep-2024	Cal-Maine Foods, Inc.	Crepini Foods LLC	Crepini Foods LLC produces and supplies healthy, low-carb, gluten-free food products.
Sep-2024	Acosta Europe	Dee Set Logistics Limited	Dee Set Logistics Limited provides support solutions and services to retailers and brands.
Sep-2024	Rotunda Capital Partners, LLC	Mama Lycha Foods, LLC	Mama Lycha Foods, LLC engages in the production, import, and distribution of packaged food and beverage products.
Sep-2024	Impetus Wellness Group	Reliance Vitamin Company, Inc.	Reliance Vitamin Company, Inc. provides private label nutritional supplements for independent retailers and practitioners in the United States and internationally.
Sep-2024	Freeman Spogli Management Co., L.P.	VIO Med Spa Strongsville, LLC	VIO Med Spa Strongsville, LLC owns and operates medical spa centers.
Sep-2024	Hero Group AG	Deliciously Ella Ltd.	Deliciously Ella Ltd. produces plant-based natural food products, food blogs, recipe books and cooking classes.
Sep-2024	Platinum Equity, LLC; Butterfly Equity LP	Rise Baking Company, LLC	Rise Baking Company, LLC produces and retails bakery products, including breads, cookies, and bars.
Sep-2024	Platinum Equity, LLC	Fratelli Polli S.P.A.	Fratelli Polli S.P.A. produces and imports preserved foods, including Mediterranean and Italian vegetables in oil, in vinegar, sweet/sour, brine, sauces for pasta, and olives.
Sep-2024	Nursery Supplies, Inc.	United Solutions, Inc.	United Solutions, Inc. manufactures plastic products for use in and around homes and offices in the United States.
Sep-2024	Beach Point Capital Management LP	Metro Franchising Commissary, LLC	Metro Franchising Commissary, LLC owns and operates Dunkin Donuts Baking Centers.
Sep-2024	Omega Fitness Holdings, LLC	21 gyms in Wisconsin	As of September 25, 2024, 21 gyms in Wisconsin were acquired by Omega Fitness Holdings.
Sep-2024	L Catterton Partners	Solidcore Holdings, LLC	Solidcore Holdings, LLC owns and operates boutique fitness studios.

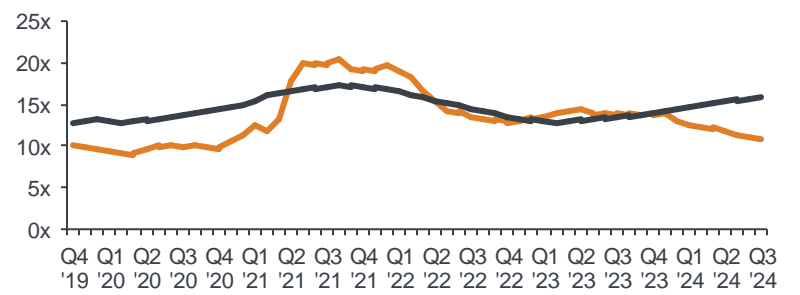
Source: S&P Capital IQ

# MARKET INDICATORS

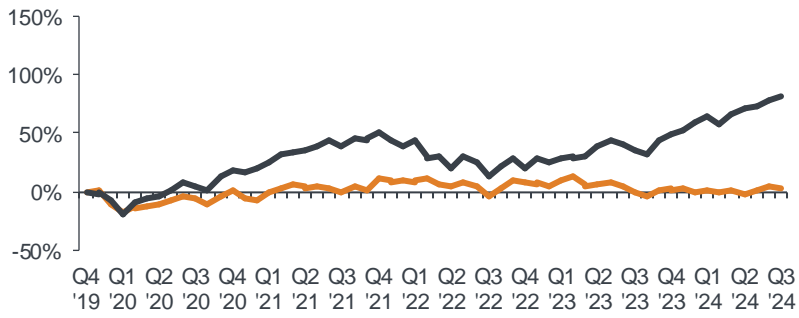
Multi-Unit Consumer Market Cap



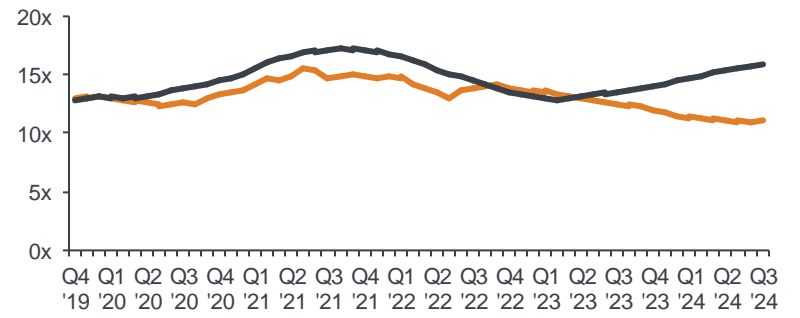
Multi-Unit Consumer EV / EBITDA



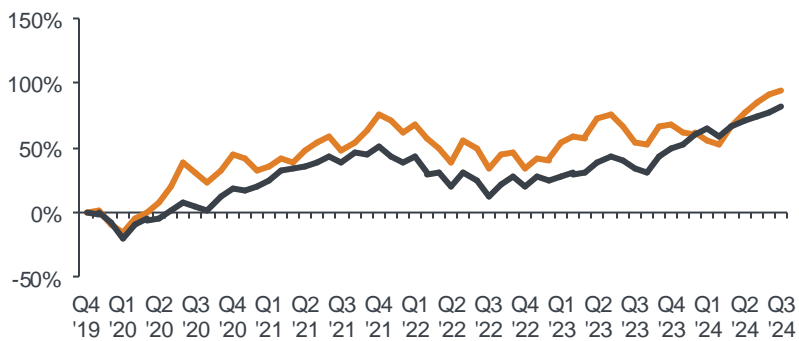
Food & Beverage Market Cap



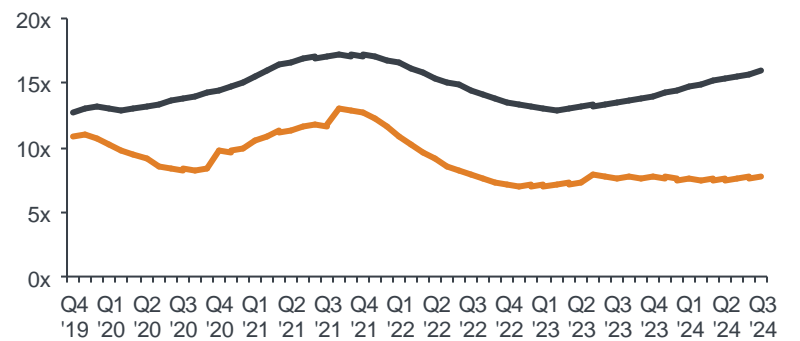
Food & Beverage EV / EBITDA



Health & Wellness Market Cap



Health & Wellness EV / EBITDA

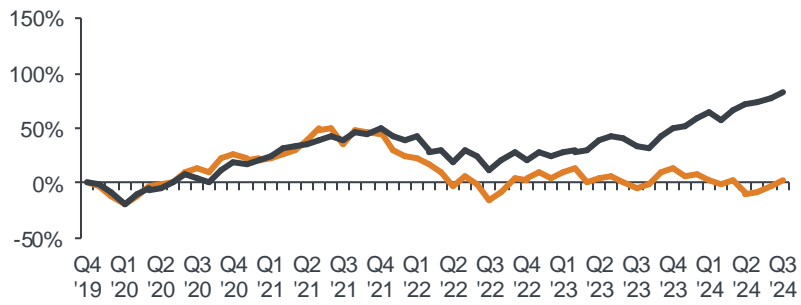


C&R Sector S&P 500

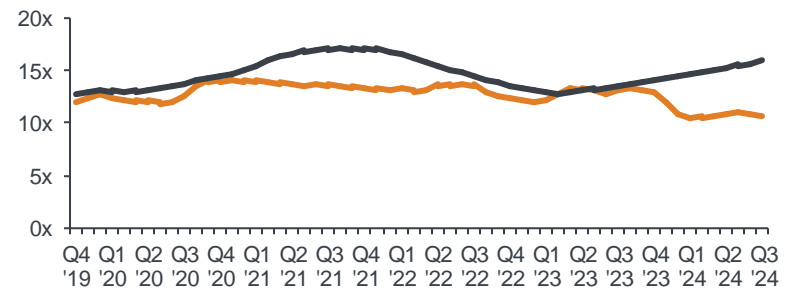
Source: S&P Capital IQ as of trading on March 31, 2024

# MARKET INDICATORS

Consumer Goods Market Cap



Consumer Goods EV / EBITDA



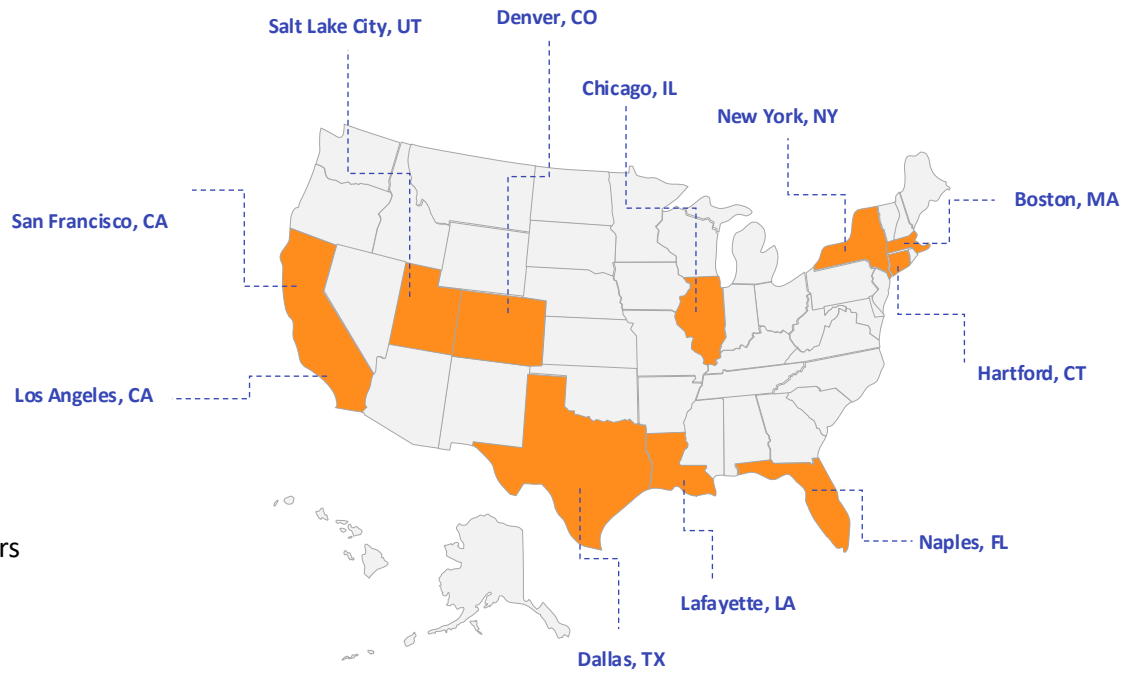
C&R Sector S&P 500

Source: S&P Capital IQ as of trading on March 31, 2024

# G2 FIRM OVERVIEW

## Overview:

- 500 mandates in 13 years
- \$5B+ total executed transaction value
- Extensive industry experience
- Robust strategic and sponsor relationships
- Active touchpoints with logical sellers and buyers



## A Multi-faceted Platform:

Focused on crafting bespoke operational and financial advisory solutions for our corporate and investor clients. G2 works with clients across a range of situations.



## Sector Expertise:



Consumer & Retail

### C&R Focus Sectors:

- Multi-Unit Consumer
- Food & Beverage
- Health & Wellness
- Consumer Goods



Transportation & Logistics

### T&L Focus Sectors:

- Freight Forwarding
- Trucking / Final Mile
- Warehousing / Distribution
- Third Party Logistics (3PL)
- e-Commerce Fulfillment



Industrials & Manufacturing

### I&M Focus Sectors:

- Building Products / Construction
- Metals / Materials
- Container / Packaging
- Niche Manufacturing
- Distribution



Technology & Business Services

### TBS Focus Sectors:

- Tech-enabled Services
- BPO
- Managed Services
- Internet & Digital Media
- Business Services

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