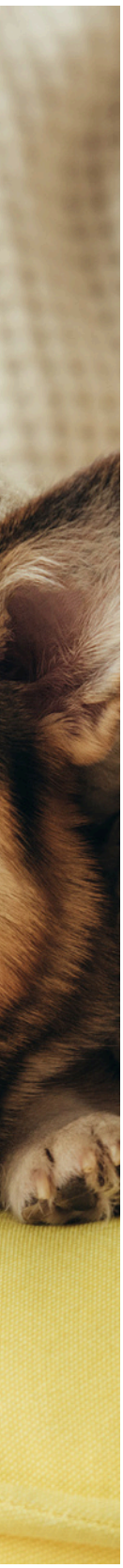


ARTICLE

Market Drivers in M&A Activity in the Pet Sector

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OVERVIEW

The pet care industry, particularly in the middle-market sector, has seen significant M&A activity in recent years, and this trend is expected to continue into 2025. The growth of pet ownership, increased spending on pet products and services, and evolving consumer preferences are all contributing factors to the rising volume of M&A transactions in the sector.

Key M&A Trends in the Pet Care Middle Market:

1. EXPANSION OF PET HEALTH & WELLNESS

- **Health & Wellness Focus**: Pet health, wellness, and nutrition are becoming central to consumer spending in the pet care sector. As pet owners increasingly treat their pets as family members, they are prioritizing high-quality food, supplements, and healthcare services. This has spurred M&A activity in the pet health and wellness space.
- **Pet Supplements and Specialty Foods**: Companies in the middle market that offer organic, specialty, or health-focused pet foods and supplements are increasingly attractive to larger players looking to diversify their offerings.

2. RISE OF PET TECH & DIGITAL SOLUTIONS

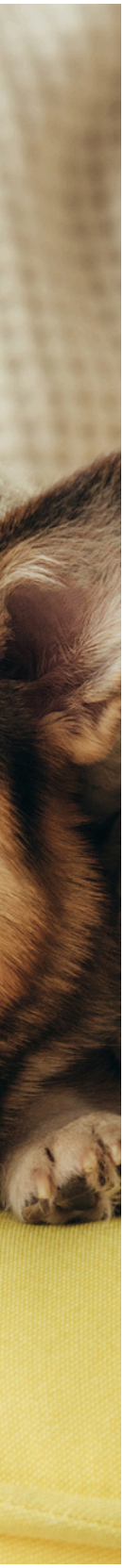
- **Smart Pet Devices**: The pet tech space, which includes wearables, health trackers, pet cameras, GPS collars, and other IoT-enabled devices, is seeing rapid growth. M&A activity in this sector is expected be driven by established players seeking to integrate technology into their offerings.
- **Pet Services Platforms**: The rise of digital platforms for pet services—such as pet-sitting, walking, grooming, and telemedicine—has also fueled acquisition activity. Companies offering apps, platforms, and tech solutions for pet care are becoming increasingly attractive to investors and larger firms.

3. PET E-COMMERCE AND DIRECT-TO-CONSUMER (DTC) MODELS

- **Growth of E-Commerce**: Pet care products, including food, toys, grooming items, and even medical supplies, are increasingly purchased online. The pandemic accelerated this shift, and it's expected to continue. Middle-market pet companies with strong DTC models, especially those with a subscription-based model or robust e-commerce platforms, are attractive targets for acquisition.
- **Online Pet Services**: Companies that facilitate pet-related services through online platforms—such as scheduling veterinary visits or pet care services—are also becoming key acquisition targets.

4. SUSTAINABILITY AND ECO-FRIENDLY PET PRODUCTS

- **Sustainability in Pet Products**: Consumers are increasingly seeking eco-friendly, sustainable pet products. This includes biodegradable poop bags, eco-friendly pet toys, and sustainably sourced pet food. Pet care companies with a focus on sustainability are attracting interest from larger firms or private equity looking to capture the growing eco-conscious consumer base.
- **Ethical and Green Practices**: Middle-market companies involved in eco-friendly packaging or sustainable supply chains are likely to see M&A interest, particularly from companies looking to meet sustainability goals or appeal to environmentally conscious consumers.



5. PREMIUMIZATION OF PET PRODUCTS AND SERVICES

- **Shift Toward Premium Products**: As pet owners are increasingly willing to spend on high-quality, premium pet products, companies that offer luxury or premium-tier pet goods are becoming highly attractive. This trend spans pet foods, toys, accessories, and even premium pet insurance and healthcare services.
- **Premium Pet Services**: Pet grooming, boarding, daycare, and veterinary services are increasingly seen as premium offerings. Companies that cater to affluent pet owners, offering high-end experiences or personalized care, are prime candidates for M&A.

6. VETERINARY SERVICES CONSOLIDATION

- **Consolidation in Veterinary Care**: The veterinary services sector has been a key area for consolidation, driven by demand for higher-quality care, as well as the rise of telemedicine and virtual care options. Mid-sized veterinary clinics and chains are attractive targets for larger veterinary service providers looking to expand their footprint and capabilities.
- **Telemedicine in Veterinary Care**: With the rise of telehealth in human healthcare, there is also growing interest in telemedicine platforms for pets. Veterinary telehealth services are expanding, and companies offering remote consultations, health monitoring, and advice are seeing increased acquisition interest.

7. CROSS-BORDER M&A ACTIVITY

- **Geographic Expansion**: As pet care consumption grows globally, especially in emerging markets (e.g., China, India, Latin America), M&A activity is increasingly being driven by geographic expansion. Companies in developed markets (North America and Europe) are seeking to acquire local players in emerging markets to leverage growing pet ownership and spending in those regions.

8. PRIVATE EQUITY (PE) ACTIVITY

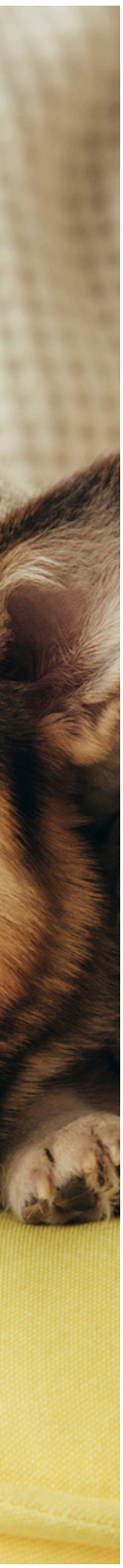
- **Private Equity Firms**: Private equity firms continue to be highly active in the pet care sector, often seeking to acquire middle-market companies that are experiencing strong growth or have the potential for rapid expansion. PE-backed companies often look to scale operations, improve profitability, and increase market share, sometimes through strategic M&A.
- **Roll-Up Strategies**: PE firms may pursue roll-up strategies, where they acquire multiple smaller pet care brands in order to create a larger, more competitive company with a diversified product or service offering. These strategies are particularly common in fragmented sectors like pet grooming, boarding, and pet insurance.

9. ACQUISITIONS OF PET INSURANCE COMPANIES

- **Pet Insurance Growth**: With the rising costs of veterinary care, pet insurance is becoming a more common product for pet owners. M&A activity will likely focus on pet insurance providers, especially those offering innovative products like wellness coverage, customizable policies, or digital platforms for claims processing and service.

10. PET SUBSCRIPTION SERVICES

- **Subscription Boxes and Services**: Pet subscription services—ranging from regular delivery of pet food and treats to pet care products like toys, grooming products, and health supplements—are growing rapidly. Middle-market companies with successful subscription-based models will be prime acquisition targets for firms looking to expand their offerings.



CONCLUSION

In 2025, we expect the pet care middle market to continue to experience significant M&A activity, driven by growing consumer demand for health, wellness, sustainability, and digital solutions for pets. Companies that offer innovative products and services in these areas will be particularly attractive to acquirers, including larger pet care players, private equity firms, and even tech and healthcare companies looking to diversify their portfolios into the booming pet care sector.

SAMPLE TRANSACTIONS

VETERNITY	Stralleria	EPAFOS		U-GRO LEARNING CENTRES
has been acquired by	has been acquired by	has been acquired by	has been acquired by	has been acquired by
Paws	Weave Growth	Quest HOLDINGS	Early Learning	Learning Caregroup