

How can the sale of high growth niche businesses be timed and orchestrated to maximize value?

A group of innovative pet treat companies turned their shared market vision and success into a new \$600+ million division of one of the world's largest food ingredients and nutrition science companies.

In 2020, the pet treat and supplement industry took notice of a group of four interrelated, but distinct companies that collectively produce innovative and high-quality products for more than 650 customers in 15 countries:

- **Pedigree Ovens**, formed in 1996
- **The Pound Bakery**, formed in 2007
- **PetDine**, formed in 2015
- **NutraDine**, formed in 2020

The companies (collectively, the "PetDine Group") each had different heritages, management teams, and

operations, yet they shared a vision for how to bring high quality, nutritious, and clean products to the industry.

Kurt Stricker, founder of Pedigree Ovens and Pound Bakery, and a shareholder in PetDine and NutraDine, saw the potential to seize on market interest. "Nobody was for sale, but all of the companies were getting bombarded by buyers and investors. We were hearing that each company would be even more attractive if they were larger and had broader capabilities. I wanted to see if there was any way to do something with all of the companies at once to maximize value."

THE FORBES TEAM

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Preston Munsch, CEO of PetDine and NutraDine, wasn't sure the timing was right. "There was no question the market wanted a piece of what we had built. Nobody could believe how fast we were growing, and everyone wanted to hitch their wagon to our star. But we were really torn." He wondered, "Do we keep growing on our own, build out our business infrastructure, and then transact when we are bigger and more prepared? Or do we forego that upside to take advantage of current interest, mitigate some risks, and get access to more resources

to manage hypergrowth? The Forbes team understood what was happening in the industry and advised that if we strategically positioned the companies together, we could demand a premium today and still capture a big piece of the upside."

Forbes designed and began executing on a highly customized and targeted process that would both serve pet industry acquirer demand and maximize value to the shareholders.

A bold strategy, deep knowledge of industry value drivers, and a highly targeted competitive process were key.



By being aggressive and innovative, Forbes positioned the company with the right message, to the right buyers, with the right structure, at the right time.

Forbes was selected to run the entire sell-side process for all four companies, which included:

- Building consensus among the shareholders on the strategy and plan.
- Vetting and documenting the compelling growth plan for the combined entities.
- Assisting with the prioritization of near- and long-term growth investments.
- Helping the companies solidify and communicate key differentiators and advantages and capitalize on them.

- Attracting buyers that would value the people, whose loyalty contributed to the companies' successes.
- Compelling buyers to recognize Petdine Group as an innovative "new category" in the petfood processing/co-manufacturing sector deserving of a premium valuation.
- Negotiating deal structures that maximized both cash at closing and long-term shareholder value.

As the combined platform started to take shape, early discussions with potential suitors told the companies they were on the right track. The platform's scale, formulation

ownership, and expertise across R&D and manufacturing processes, combined with a clearly articulated growth story, made it a rare asset that investors were jumping at the chance to pursue.

However, timing was of the essence. The functional and human-grade pet treat space was under massive pressure to meet demand. As the global supply of equipment, ingredients, and labor were struggling to keep pace with explosive product consumer adoption, the PetDine Group needed all hands on deck to manage operations and growth. Finding the right buyer and closing quickly became essential.

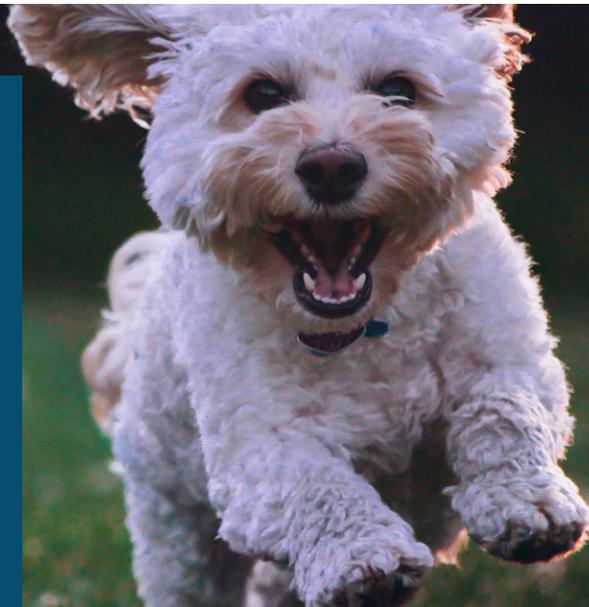
To manage that need, the Forbes team designed a compressed process. We engaged with a small, select group of investors and acquirors we knew had the strategic rationale, appetite, and capacity to move quickly.

Nearly every one of the select targets competed aggressively for the opportunity. After multiple rounds of negotiations, a winner emerged. ADM, a global leader in human and animal nutrition, not only brought the highest and best terms, but synergistic businesses, a worldwide supply chain, and limitless professional growth opportunities for PetDine Group team members.

“The Forbes Group got us a much larger valuation than we ever thought was possible.”

KURT STRICKER

Founder, Pedigree Ovens & Pound Bakery



The final transaction was valued at approximately \$600 million, plus the value of all real property assets. Management was able to reinvest \$150 million of the sale proceeds for 25% ownership of a newly formed ADM pet entity, with the ability to sell back their interests to ADM via a unique put/call option structure that allows them to participate in the expected continued hypergrowth.

In the end, our process required only 26 days of confirmatory diligence on all four companies before a purchase agreement was signed. This happened just four months after Forbes brought the opportunity to market.

The sellers were thrilled. “The Forbes group realized us a much larger valuation than we ever thought was possible.” said Kurt Sticker. “We really came to see them as members of the management team, helping to guide us through every aspect of this critical transaction.”

Preston Munsch added, “Forbes looked at the transaction from every angle, from how ongoing customer contract negotiations could impact value, to helping vet our combined organizational structure. They provided tremendous value.”



CONCLUSIONS

This successful transaction provides some key takeaways:



Do not settle for baseline industry valuations. The Forbes M+A Group can uncover what makes your business unique to drive above-market interest and offers.



You don't need to cut corners to move quickly. You can move efficiently through the different process phases if you have the right message and the right audience.



Get paid for your growth. The Forbes M+A group can help you craft a defensible and well-articulated plan that captures meaningful economic upside. You've built something unique, get paid for it.



You can have your cake and eat it too. Even if market timing seems out of synch with your plans, there are more options today than ever before to unlock a range of structures that allow you to harvest cash today and participate in future upside.



The Forbes M+A Group, founded in 2004 with offices in Denver, Salt Lake City, and Nashville, is an award-winning investment bank with expertise in mergers and acquisitions, capital formation, and financial restructuring within the middle market. Senior advisors at The Forbes M+A Group have 250+ years and \$85 billion of combined transaction experience across a wide variety of industries and around the globe. The Forbes M+A Group has been recognized regionally as the M&A Firm of the Year for the past 5 years.

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