**INTRODUCTION**

Fueled by the popularity of pet ownership and a global population hungry for meat and dairy products, the animal health industry continues its strong growth trajectory. Shown to the right are key categories of both consumer spending and industry investment segmented by pets/companion animals and livestock/farm animals.

The charts below break out the market by sector, product, and geography with growth drivers for both established and developing regions. The stock charts show equity performance of companion animal and farm animal health companies vs. the S&P 500 over the last 3 years.

M&A and capital raising activity in the animal health/nutrition space reflects the industry’s high growth, with a number of recent deals that have disclosed transaction values highlighted on the back of this industry snapshot.

We hope this is a helpful resource and look forward to hopefully further discussing what we’re seeing in the space and ways we may be able to add value to your company’s strategic priorities.

**ANIMAL HEALTH MARKET BREAKDOWN**

**ANIMAL HEALTH EQUITY PERFORMANCE**

Companion Animal Index vs. S&P 500

Farm Animal Index vs. S&P 500

With Americans spending freely on pet drugs, insurance, and supplies for their animal companions, related stocks have been outperforming the broader market by roughly 20% vs. the S&P 500 over the last 3 years. Farm animal equities have been even stronger, up 35% over the general market index.

While livestock growth is largely attributable to increasing global demand for meat and dairy products, analysts credit the economy (encouraging more pet adoptions and loosening up wallets of people who already have one) and millennials (putting off having kids but making room for a dog or cat) for the companion animal health run-up.

**DRIVERS OF COMPANION ANIMAL CARE GROWTH**

- **Increased Pet Ownership**
- **Higher Medicalization (Routine Care)**
- **Specialty Care**
- **Price**

Sources: Bloomberg; CapitalIQ

“Americans sometimes take care of their pets better than they take care of their own health”

—Mark Massaro, Analyst at Canaccord Genuity

Sources: Global Animal Medicines Association; Vetnosis
M&A TRANSACTIONS SNAPSHOT

Driven by large deals involving major food companies (General Mills, Cargill) or animal health divisions of big pharma (Lilly’s Elanco, Boehringer’s Vetmedica), M&A activity has helped contribute to recent industry growth of 4-5%. As far as the future? “Animal health will see more mergers between the smaller companies in coming years. I think we’ve come to an end of a cycle of big mergers. We’ve seen Boehringer Ingelheim and Merial come together, which impacted the top five. I think we’re going to see less deals like that in the future, but then there’s such a big gulf between the top players in animal health and the smaller firms.” While larger deals have the highest disclosed valuations, the market is strong with median transaction multiples over 11x EBITDA.

About Bourne Partners

As an industry-focused advisor of companies seeking capital markets solutions, such as raising capital or exploring M&A opportunities, we provide value-added insight and transaction services to maximize client value. Exclusively focused in healthcare, our team has a deep track record of transaction success, together raising over $2 billion in equity and debt capital and executing over $5 billion in healthcare and pharmaceutical M&A transactions. We hope this market snapshot is a helpful reference and please feel free to reach out with any questions or to discuss ways Bourne Partners may be able to add value to your company.

Robert Stanley, Vice President
Direct: 704-714-8354
rstanley@bourne-partners.com

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