

Euromonitor's Classification for Pet Care

Industry Classification

December 2021

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1. ABOUT US

Established in 1972, Euromonitor International (“Euromonitor”) is the world leader in strategy research for both consumer and industrial markets. Comprehensive international coverage and leading-edge innovation make our products essential resources for companies large and small, national and global. With offices around the world and analysts in 80 countries, the company is a leading provider of global market intelligence. Our products and services are held in high regard by the international business community and we have 5,000 active clients, including 90% of the Fortune 500 companies.

2. PET CARE

2.1 INTRODUCTION

In recent years, the pet industry has experienced a strong and steady boom. This rise in pet ownership has been in part driven by technology and the rise of ecommerce and the online community. However, most of the growth has come from an innate shift in our culture. As the Millennial generation and Generation Z consumers have entered adulthood, they have embraced the pet-owning and pet-loving lifestyles to a far greater extent than their elders. The humanisation of pets is now a major global consumer trend which is resulting in greater spending on pet foods, pet treats, pet health and even pet services such as grooming, day cares and pet hotels. We have seen the rise of premiumisation in various pet product categories and owners unwilling to trade down to cheaper options even in times of economic recession. Pets have become valued family members, and pet care companies have seized this opportunity to innovate in pet product categories, pet food flavour profiles and in palatants and ingredient systems using healthier and better-quality ingredients. The pet e-retail economy too has taken off and reached new highs and continues to show signs of strong secular expansion. In the years ahead, we expect the pet economy to thrive as the shift in demographics, social trends and higher incomes continues to drive consumer spending in pet care.

2.2 STOCK UNIVERSE

Euromonitor launched the Pet Care Stock Universe ("**Stock Universe**") in December 2021.

The Stock Universe follows a classification methodology developed by Euromonitor for the research and investment communities with the objective of mapping publicly traded companies involved in pet care related business activities. To be included in the Stock Universe, companies must trade on a regulated exchange, exhibit certain free float characteristics and provide goods and/or services within the pet care industry.

Each company in the Stock Universe is first identified and selected using Euromonitor's in-house touch point assessment, and then carefully analysed and classified within one of the Sub-Sectors defined in Section 2.3 below.

Each company in the Stock Universe is also thematically scored for its thematic purity. Each company's thematic purity is a function of its reported revenue from pet care related

business activities. Companies with greater reported revenue receive a higher score, whereas companies with lower reported revenue receive a lower score.

The Stock Universe is reviewed and updated twice per annum. As of December 2021, the Stock Universe contained 99 companies.

Euromonitor does not accept payment from companies or third parties (acting on behalf of such companies) for inclusion into the Stock Universe.

2.3 SUB-SECTOR TAXONOMY

Within the Stock Universe, companies are grouped according to a sector taxonomy (“**Sub-Sectors**”) based on their pet care related business activity. Where companies are engaged in business activities across multiple Sub-Sectors, their reported revenue mix is reviewed with the objective of classifying them within the Sub-Sector that provides the greatest share of their reported revenue.

Companies are currently classified within one of the following four Sub-Sectors:

Pet Food and Consumer Products

Companies in this Sub-Sector include businesses that manufacture branded and unbranded pet food, pet treats and pet consumables. An example of a company in this Sub-Sector is pure pet food player Freshpet Inc, which manufactures and markets natural fresh meals and treats for dogs and cats in the United States, Canada and the United Kingdom. This Sub-Sector also includes packaged food companies with dedicated pet products divisions. One such company is The J. M. Smucker Company in the United States.

Pet Retail

Companies in this Sub-Sector primarily include specialised pet retail businesses that sell pet products (including pet food, pet treats and pet consumables) and pet services via online and omni-channel retail channels. Examples of pure online businesses include Petco Health and Wellness Company Inc, which is a retailer of premium pet consumables and pet supplies, and Chewy Inc, a US based pure online retailer of pet medications, food, treats and other pet-health products and services. Omni-channel retailers in this Sub-Sector include Musti Group Oyj, which operates pet care B2C distribution channels across Finland, Sweden and Norway, and Pet Center Comércio e Participações SA, which operates a chain of stores that sells products and services for pets in Brazil. This Sub-Sector also includes companies that primarily focus on pet care services such as grooming, day care and pet hotel services. One such company is US based Rover Group Inc.

Pet Health

Companies in this Sub-Sector include businesses that are primarily involved in pet health-related products and services, supply and distribution of pet medicine, veterinary services and veterinary equipment. Examples of companies in this Sub-Sector include Zoetis Inc, which develops and commercialises animal health medicines, vaccines and diagnostic products in the United States and internationally, and Elanco Animal Health Incorporated, which offers pet health disease prevention products, such as parasiticide and vaccines that protect pets from worms, fleas, ticks and viruses, respectively. Examples of companies specialised in veterinary equipment include IDEXX Laboratories in the United States and UK based CVS Group Plc.

Pet Insurance

Companies in this Sub-Sector include businesses that primarily provide health and life insurance benefits for pets. An example of a company in this Sub-Sector is Trupanion Inc, which offers and administers cat and dog insurance. Trupanion Inc is a founding member of the North American Pet Health Insurance Association (NAPHIA) which educates pet owners in North America about the veterinary industry.

Euromonitor reserves the right to add additional Sub-Sectors as the Stock Universe evolves. Existing Sub-Sectors may also be renamed as required.

2.4 THEMATIC SCORE

For each company in the Stock Universe, Euromonitor calculates a unique and proprietary thematic score (“**Thematic Score**”). Each company’s score is a reflection of its thematic purity to pet care. Thematic Scores are calculated by quantifying a company’s reported revenue from business activities relating to pet care sub-sectors, including, Pet Food and Consumer Products, Pet Retail, Pet Health and Pet Insurance.

Each company’s Thematic Score is determined by using publicly available data provided by the company through its published annual financial statements, company presentations and/or official earnings press releases – and if required, through direct engagement with the company should clarification be required with respect to publicly available data. The calculation of each company’s Thematic Score is supported by the Euromonitor Research Team to account for a company’s primary product and/or service level type, maturity and market leadership, among other business considerations.

- **Level 1 Score** – Euromonitor has determined that the company derives less than 20% of its reported revenue from pet care related business activities, or no specific revenue data is reported or available which can verify the extent of the company’s revenue link to pet care related business activities.

- **Level 2 Score** – Euromonitor has determined that the company derives between 20% and 40% of its reported revenue from pet care related business activities.
- **Level 3 Score** – Euromonitor has determined that the company derives between 40% and 60% of its reported revenue from pet care related business activities.
- **Level 4 Score** – Euromonitor has determined that the company derives between 60% and 80% of its reported revenue from pet care related business activities.
- **Level 5 Score** – Euromonitor has determined that the company derives between 80% and 100% of its reported revenue from pet care related business activities.

3. REVIEW AND OVERSIGHT

The Stock Universe, Sub-Sectors and Thematic Scores are reviewed twice per annum, in June and December.

During each semi-annual review session, Euromonitor will add and/or remove companies to and/or from the Stock Universe by reference to their most recent public filings. Any new companies will be assessed, scored and classified according to their most relevant Sub-Sector. Existing companies will also be reassessed to determine if any updates are required.

Semi-annual reviews are conducted by the Euromonitor Research Team.

4. APPENDIX

For further information, please contact Euromonitor by email on info@euromonitor.com.