

## WHY INVEST IN THE PET CARE INDUSTRY?

Pets are loyal companions and increasingly thought of as part of the family. They're also big business. Let's look at some notable trends.

### PET OWNERSHIP IS GROWING

Today, roughly 70% of U.S. households have pets, up from 56% in 1988, according to the American Pet Products Association (APPA). In fact, more households have pets than have children.

84.9 million households have pets



32.8 million U.S. households have children



Sources: APPA 2021-2022 National Pet Owners Survey; Bureau of Labor Statistics, April 2022

What's driving the growth in pet ownership? The two most populous generations in the United States—baby boomers and millennials—are bringing pets into their homes in greater numbers.

**The two biggest generations are bringing pets into their homes in greater numbers.**

Baby boomers, until recently the largest generation in history, have entered a new phase of life and are becoming pet owners in greater numbers. Among baby boomers globally, at least 32% own pets.

Millennials, who are now the nation's largest generation, have also embraced pet ownership. Many millennials are becoming pet owners before, or even instead of, having children. Today, 32% of millennials own pets domestically, and the APPA reports that 62% of millennials and 52% of Gen Z have increased their pet care spending since 2020.

## MORE AND MORE, OWNERS ARE CARING FOR PETS LIKE FAMILY

Over the years, pet owners have dramatically changed the way they think about and care for their pets. For many pet owners, their animals have become part of the family. They want their pets' lives to be as happy, healthy and fulfilling as their own, and they'll likely spare little expense to ensure it. As a result, they're spending billions on premium-quality foods, state-of-the-art health care, insurance policies, luxury services and more. With this attitude, pet care has evolved to offer more sophisticated products and services that are being driven by three main factors.

- **We're humanizing our pets.** Pet owners often think of their pets as they would their children. They talk to their pets, bring them along on vacation, modify homes to accommodate them and celebrate pets' birthdays.
- **We're "premiumizing" pet care.** Pet owners are building an appetite for premium and even luxury pet products. Higher-quality pet food is becoming more common. In the U.S., \$50 billion was spent on food and treats in 2021, and a 2022 global study found that 79% of pet owners check pet food labels for ingredients they dislike. Owners are also indulging pets with non-essentials, like toys and costumes—the global market for pet accessories is projected to reach over \$42 billion by 2026.
- **We're providing pets with health care comparable to our own.** Advances in veterinary health care are providing meaningful improvement in our pets' lives. There are ongoing innovations in veterinary treatments, preventative medications, diagnostic and screening tools, imaging (MRIs and other scans), and wellness products and therapies. Owners are willing to pay for these treatments. It's estimated that pet owners spent more than \$34 billion on vet care and product sales in 2021 in the United States. In addition, pet owners are also buying health insurance policies. In North America, private health insurance was purchased for more than 4.41 million animals in 2021, exceeding \$2.83 billion in premiums.

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**Pet care has evolved to offer more sophisticated products and services.**

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**79%**

of pet owners check ingredients on food labels

**28%**

of pet owners spend money on their pets for social media content

**45%**

of pet owners would take on debt to cover an emergency expense

**\$594**

Average annual cost for an accident and illness insurance policy for dogs

**78%**

of pet owners consider their pet to be a best friend or family member

## THE PET CARE INDUSTRY IS THRIVING

The pet care industry spans veterinary pharmaceuticals, diagnostics, product distributors and services, manufacturers of pet food and pet supplies, and pet supply retailers. Each of these subindustries is responding to the demands of pet owners with continued innovation that's led to notable growth.

Here in the United States, the pet care industry has seen steady growth since 2001, even during the Great Recession. Meanwhile, a similar boom has been building internationally. The global pet care industry is expected to grow from \$232 billion in 2020 to as much as \$350 billion by 2027.

**Global pet care industry sales**

2020	2027 Est.
<b>\$232 BILLION</b>	<b>\$350 BILLION</b>

These trends may not continue or may reverse.

Source: Global Market Insights, February 2021.

Corporate interest is intensifying, too. The pet care industry is undergoing a wave of research and innovation, and there are a number of companies—both large and small—poised to benefit from both the proliferation of pet ownership and advances in the ways we care for our pets.



PAWZ is the first ETF focused on the pet care industry. PAWZ gives investors the opportunity to gain broad exposure to public companies in the global pet care industry—companies that stand to potentially benefit from the proliferation of pet ownership and the emerging trends affecting how we care for our pets.

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Sources: ProShares; APPA, 2021-2022 National Pet Owners Survey; Bureau of Labor Statistics data, April 2022; U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis; Beneo Global Pet Food Survey, January 2022; Quotient Survey July 2021; LendingTree, September 2021; NerdWallet, October 2021; Global Industry Analysts, Inc., May 2021; Global Market Insights, February 2021.

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