

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 67% 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



33 million households have children



Sources: APPA 2019-2020 National Pet Owners Survey; Bureau of Labor Statistics.

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.

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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 today, at least 54% 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, 37 million U.S. millennials have pets, and they are spending over \$16 billion on them annually. They are even factoring their pets' needs into

major decisions like purchasing homes.

If these generational trends continue, boomers and millennials could drive pet ownership for decades to come.

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. Today, pets are true members of the family.
- **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. Sales of private-label pet foods have risen 75% since 2017, reaching over \$2 billion in sales in 2019. Owners are also indulging pets with non-essentials, like toys and costumes—over 40% of owners have even bought their pets fashion apparel and accessories.
- **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—in fact, pets are increasingly cared for as part of the family. It's estimated that pet owners will spend more than \$25 billion a year on veterinary health services by 2021. In addition, pet owners are also buying health insurance policies. In North America, private health insurance was purchased for more than two-and-a-half million animals in 2019, almost reaching \$2 billion in premiums.

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

72%
believe the quality of their pets' food should match their own

67%
of pet owners consider their pet their "best friend"

42%
have purchased fashion or clothing accessories

42%
pet owners who throw their pets a birthday party

16%
year-over-year increase in U.S. pets insured, 2018-2019

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 nearly triple the percentage growth of GDP since 2007, increasing even during the Great Recession. Meanwhile, a similar boom has been building internationally. The global pet care industry is expected to grow from \$190 billion in 2018 to as much as \$270 billion by 2025.

Global pet care industry sales

2018	2025 Est.
\$190 BILLION	\$270 BILLION

These trends may not continue or may reverse.

Source: Global Market Insights, June 2019.

With growing sales numbers in the pet care industry, corporate interest has intensified. More than 80 mergers and acquisitions in 2019 indicate that a wide range of companies are attracted to and investing in this dynamic opportunity.

**There have been
over 80 pet care-
related mergers
and acquisitions
in 2019.**



PROSHARES PET CARE ETF

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.

LEARN ABOUT PROSHARES

ProShares has been at the forefront of the ETF revolution since 2006. ProShares now offers one of the largest lineups of ETFs, with more than \$42 billion in assets. The company is the leader in strategies such as dividend growth, alternative and geared (leveraged and inverse). ProShares continues to innovate with products that provide strategic and tactical opportunities for investors to manage risk and enhance returns.

Sources: ProShares; APPA, 2019-2020 National Pet Owners Survey (% with pets, # U.S. households with pets, 7 of 10 U.S. households); NAPHA, May 2020; Bureau of Labor Statistics data (households with children), April 2020; Packaged Facts (baby boomer and millennial pet ownership), November-December 2019; I and love and you (pet owner survey), July 2019; Global Market Insights (pet industry growth, 2018-2025), June 2019; U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis (GDP growth), August 2019; The Economist (global pet industry growth), June 2019; Petfoodindustry.com (sales of private label pet food), January 2020; Packaged Facts (vet care spending), April 2020.

Investing involves risk, including the possible loss of principal. This ProShares ETF is non-diversified and entails certain risks, including imperfect benchmark correlation and market price variance, that may decrease performance. Investments in smaller companies typically exhibit higher volatility. Smaller company stocks also may trade at greater spreads or lower trading volumes, and may be less liquid than stocks of larger companies. Please see the summary and full prospectuses for a more complete description of risks. **There is no guarantee any ProShares ETF will achieve its investment objective.**

The fund is subject to the risks faced by companies in the pet care industry. Although the pet care industry has historically seen steady growth and has been resilient to economic downturns, these trends may not continue or may reverse.

Carefully consider the investment objectives, risks, charges and expenses of ProShares before investing. This and other information can be found in their summary and full prospectuses. Read them carefully before investing. Obtain them from your financial professional or broker-dealer representative or visit ProShares.com.

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