Synchrony sells pet insurance unit, cashing in on pandemic-era boom

By [Polo Rocha](#) **November 28, 2023, 5:20 p.m. EST2 Min Read**

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Synchrony Financial bought Pets Best for an undisclosed price in March 2019, a year before the COVID-19 pandemic prompted a spike upwards in pet adoptions and led to more business for the insurance unit.
Kyle Grillot/Bloomberg

Synchrony Financial, which purchased a pet insurance business ahead of a pandemic-driven boom in that sector, is now selling the unit for a sizable windfall.

The Stamford, Connecticut-based credit card issuer said that the sale of its Pets Best subsidiary would result in a $750 million after-tax gain on sale.

Synchrony, whose CareCredit card offers financing for health care and pet needs, is keeping its toes in the pet insurance business by taking an equity stake in an affiliate of the company that is buying Pets Best. The deal should help Synchrony expand the reach of CareCredit by allowing it to cross-sell the card to more pet owners.

The deal price was not disclosed, but Synchrony said that it would receive a mix of cash and equity in Independence Pet Holdings, which owns several insurance brands. IPH is an affiliate of Poodle Holdings, which is buying Pets Best.

Because IPH is one of the biggest pet insurers in the country, Synchrony figures to have access to a large pool of potential customers for its CareCredit product.

The transaction is pending regulatory approval and other closing conditions. Synchrony expects it to close in the first quarter of next year.

A Synchrony spokesperson said Tuesday that the deal is "a win for everyone, including pet parents nationwide."

"Synchrony expands its leadership in the pet industry through its ownership stake in IPH and gains new opportunities for our CareCredit business," the company spokesperson said. "We are excited for what is possible through our partnership to help achieve long-term growth for Synchrony, Pets Best and IPH."

Synchrony bought Pets Best for an undisclosed price in March 2019, a year before the COVID-19 pandemic prompted a spike upward in pet adoptions and led to more business for Pets Best. The U.S. pet insurance industry's revenues grew by 19% between 2018 and 2023, according to the market research firm IBISWorld.

After the deal was disclosed late Monday, Synchrony's stock price jumped Tuesday by more than 5%.

John Hecht, an analyst at Jefferies, wrote in a note to clients that the deal provides a short-term boost to Synchrony's earnings, while also keeping the company in the rapidly growing pet spending and insurance businesses.

The sale will raise Synchrony's capital levels at a time when regulators are poised to boost capital requirements for banks with more than $100 billion of assets, Hecht noted. Synchrony has roughly $113 billion of assets.

Higher capital levels could also mean more share repurchases or "additional strategic M&A opportunities similar to the original Pets Best Insurance investment, which proved to be highly accretive" to Synchrony's financials, Hecht wrote.

RBC Capital Markets analyst Jon Arfstrom also had a positive reaction to the deal, writing in a note to clients that the sale "augments the company's already strong excess capital levels."

June 10, 2021 3:59 PM

Synchrony's capital cushion puts it in a "strong position to manage through a more challenging environment for the consumer," Arfstrom wrote. Synchrony and other credit card issuers have seen more borrowers fall behind on their payments, and they've been forced to write off more loans to customers who can't repay them.

Synchrony has built up reserves to handle higher losses, which should help the company keep growing its loan portfolio during the usual holiday-driven crush of spending, Arfstrom wrote.

"We continue to believe the company is well positioned in both the near and medium term, and applaud management's efforts to bolster capital flexibility with this deal," Arfstrom wrote.

Polo Rocha
Staff Writer, American Banker

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