



Veterinary Services Industry Dynamics

June 2023



Who We Are

Edgemont Partners is a premier investment bank that provides merger & acquisition advisory and growth capital raising services exclusively to healthcare companies. We focus solely on providing expert strategic advice and transaction execution, bringing a steadfast commitment to our clients, driven always by what is in their best interest. This dedication enables us to deliver independent conflict-free advice, to serve as trusted advisors to healthcare entrepreneurs, management teams and investors, and to execute with exceptional results.

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STATE OF THE VETERINARY SERVICES MARKET

The U.S. veterinary services market is presently in the middle of a consolidation trend that continues to attract large amounts of capital and investor interest. Investors and their platforms remain eager to roll-up the fragmented sector given strong industry fundamentals, significant market size, cash pay operations, and resilience to economic cycles.

<p>~\$66B 2023E Total Market Size</p>	<p>~6.5% 2014-2024 CAGR</p>	<p>~70% Of Households Have a Pet</p>	<p>~20% Households Adopted During the Pandemic</p>
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The large cohort of platforms (50+) actively acquiring creates a deep pool of consolidators driving purchase prices to record levels. As broader market conditions have become more challenging over the last 12 months, acquirers have responded in various ways according to their own capital structures, risk tolerance, and overall M&A strategy. Some have become less aggressive with M&A and more focused on de novo growth, and others remain quite aggressive with M&A activity. Meanwhile, we continue to see newly-formed PE-backed platforms entering the space. Investor appetite has been buoyed by case studies of successful returns realized by the early cycle consolidators. In some cases, investors, along with certain Doctor of Veterinary Medicine (DVM) partners have generated more than 10x their invested capital upon exit, well above average private equity returns. While 2021 set a new high-water mark for both acquisition multiples and overall volume, strong M&A volume persists as acquirers remain eager to scale — albeit with an increasing sense of valuation discipline and underwriting rigor.

INDUSTRY ADVANTAGES

	Strong Growth Drivers
	Steady Inflows of New Capital
	Recession Resistant Dynamics

LARGEST CONSOLIDATORS

Increasing demand for veterinary services and a desire to achieve economies of scale is fueling consolidation of veterinary platforms

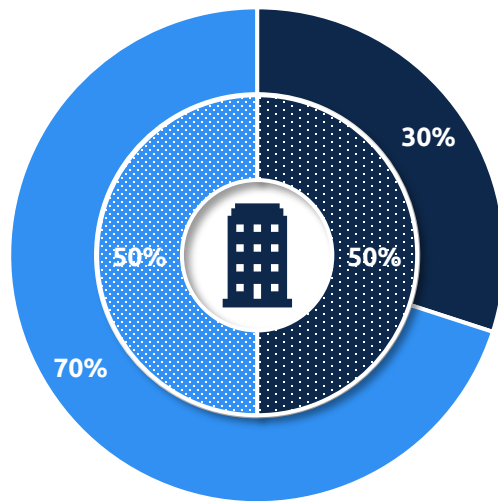
Corporate Vet Platform	Ownership	Global Number of Units
IVC EVIDENSIA	IEQT	2,600+
MARS	Private	2,500+
NVA	JAB HOLDING COMPANY	1,400+
VetCor	Cressey & Company HARVEST PARTNERS	720+
PetVet Care	KKR	450+
thrive PET HEALTHCARE	TSG CONSUMER PARTNERS	400+
SVP Southern Veterinary Partners	SHORE Capital Partners	330+
MVP mission veterinary	SHORE Capital Partners	320+
Blue River PetCare	Partners Group REALIZING POTENTIAL. REVOLUTIONIZING PRACTICES.	170+
Community Veterinary Partners	OMERS	125+

INDUSTRY CHALLENGES

	Increased Competition from Well Capitalized Companies
	Labor Shortages
	Wage Inflation

CONSOLIDATION TREND

Continued consolidation has resulted in ~30% corporate-owned veterinary operators accounting for ~50% of total pet visits, as the clinics acquired tend to support higher foot-traffic



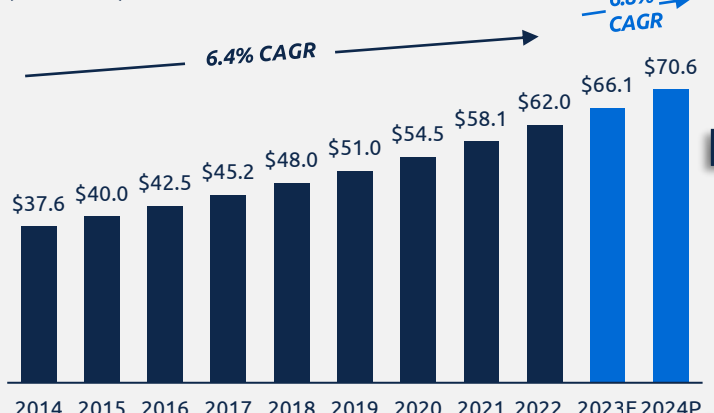
- Corporate-Owned Vet Operators
- Small & Independent Vet Operators
- Corporate-Owned Visit Volume
- Small & Independent Visit Volume

Source: ASPCA, Industry Reports, PitchBook, Edgemont Proprietary Intelligence.

U.S. VETERINARY INDUSTRY TOTAL MARKET SIZE

Multiple contributing drivers are propelling the market size forward at an expected ~6.8% CAGR

(\$ in billions)



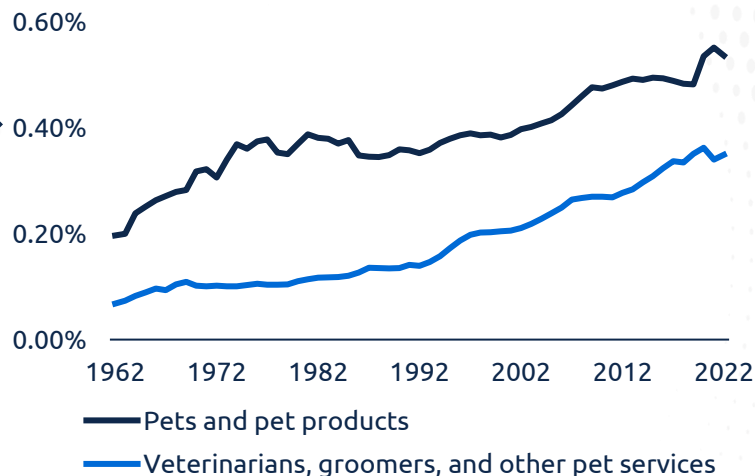
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PROPORTIONAL INCREASE IN PET SPENDING

The growing humanization of pets is driving pet spending notably higher

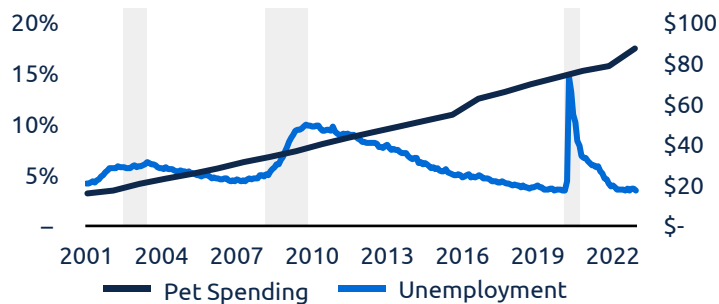
Shown as a share of overall consumer spending



PET SPENDING RESILIENCE DURING DOWNTURNS

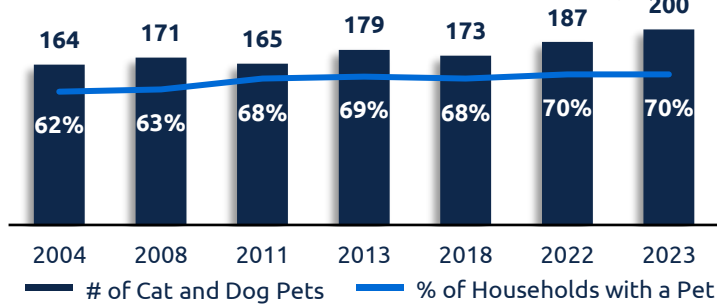
Pet industry shows resilience during economic downturns as owners prioritize spending on their pets, which continues to drive market growth

(\$ in billions)



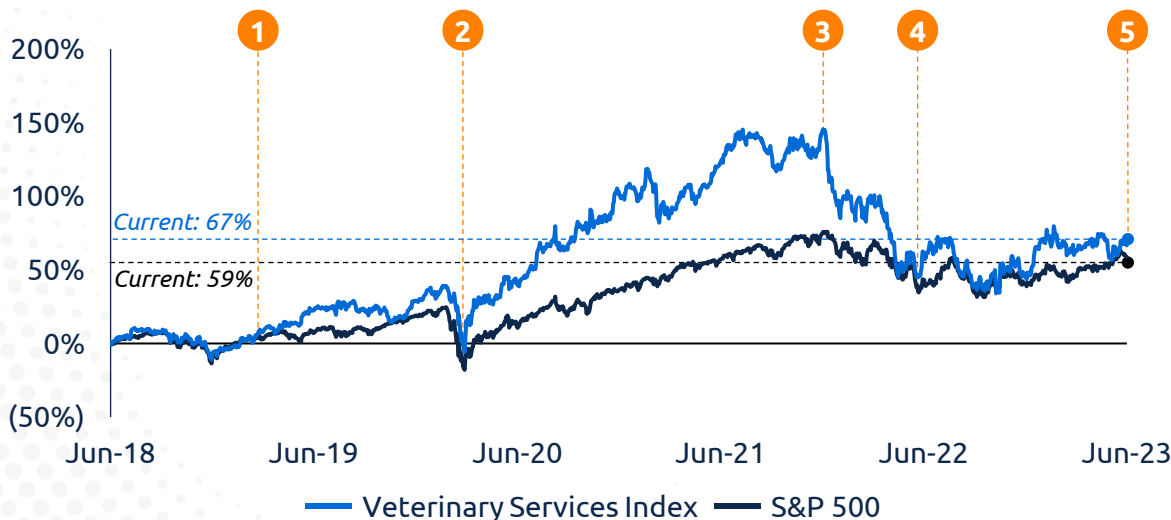
INCREASING PET OWNERSHIP

Pet population growth accelerated during COVID, with the number of pet dogs and cats estimated to be ~200 million (in millions)



PUBLIC VALUATION NORMALIZATION

Publicly traded veterinary services companies broke away from the S&P 500 and traded well above the benchmark index during the bulk of the pandemic period, but in 2021 experienced a market sell-off. We are now seeing the market regain some losses, in part due to the strength of underlying industry drivers

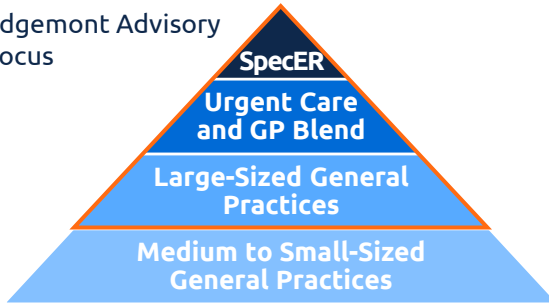


- 1 First breakout from S&P along with strong M&A Activity
- 2 Second breakout from S&P along with strong M&A activity
- 3 Peak veterinary M&A activity and purchase price multiples
- 4 Challenged M&A period with valuation dislocation and stricter underwriting standards
- 5 Renewed M&A appetites despite lingering financial challenges (e.g., tighter credit conditions)

Source: Industry Reports, Bureau of Economic Analysis, Bureau of Labor Statistics, Capital IQ, Edgemont Proprietary Intelligence.

VALUE DYNAMICS BY PRACTICE TYPE

Edgemont Advisory Focus



Valuations



- Specialty referral hospitals and other emergency and specialty hospitals are in the highest demand, among veterinary services businesses
- Large and productive GPs are still quite attractive for acquirers while valuations for smaller, less productive GPs have declined the most
- Consolidators have become more discerning and sophisticated in how they underwrite new investments

OPTIONS FOR DVMS AND HOW EDGEMONT CAN HELP

Despite the multitude of professional and financial challenges that DVMS are facing in the current market, private equity consolidation is holding strong and valuations remain high. Independent practice owners continue to find themselves in an advantageous position with multiple strategic alternatives to explore:

Remain independent while adopting new tactics to stay competitive

Partner with private equity to fund growth while "taking chips off the table"

Sell outright to eliminate execution risk and practice management challenges

✓ *Each option has relative costs and benefits unique to each practice, which we are happy to explore and analyze with you*

Edgemont can run targeted sale processes to top tier financial sponsors and strategics while maintaining flexibility to allow early look buyers to move ahead in the process, if their conviction warrants

Ongoing Dialogue with Hundreds of Investors and Acquirers

Preparation

Market Monitoring

Marketing

Execution and Due Diligence

Negotiation and Closing

TRANSACTION PREPARATION

Due to heightened scrutiny by consolidators, transactions now require more careful preparation and specialized guidance

Transaction Considerations

- Valuation
- Accounting and Tax Treatment
- Cash vs. Equity
- Ongoing Management Roles & Structure

Timing Considerations

- Historical Growth
- Trending Market Dynamics
- Weighing Anticipated Mid-Term Growth vs. Doing a Deal Near-Term

Practice Positioning

- Quality of Care
- Growth Strategy
- DVM Recruitment / Stability
- Synergies

Patrick Bradley

Patrick welcomes the opportunity to discuss with practice owners and their management teams key market trends in veterinary services, as well as transaction preparation and other considerations.

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What We Do & Who We Are

Edgemont Partners is a healthcare investment banking firm and a leading advisor to mid-sized and large clinician services groups, having successfully generated over \$2.1 billion in cash proceeds at closing for our clinician services clients. In Edgemont's history, the firm has executed 195+ transactions with an aggregate value of \$90B+.