

STATE OF THE VETERINARY SERVICES MARKET

The U.S. veterinary services market is in the middle stages of a massive consolidation wave that has attracted record amounts of capital. **Private equity firms remain eager to roll-up the still very fragmented space** given the strong industry fundamentals, vast market size, and resilience to negative economic climates. Investor interest has been further buoyed by case studies of successful returns realized by the early-cycle consolidators. These enthusiastic buyers have found willing sellers in veterinary practice owners that are receiving attractive valuations at a time when the business challenges of practice ownership are growing considerably.

While the veterinary services industry has shown sustained overall growth, **DVMs face a multitude of professional and financial challenges in the current market.** In many cases, veterinarians are increasingly burdened with non-clinical challenges that interfere with the practice of medicine and detract from professional fulfillment – ultimately increasing DVM burn-out rates. Large amounts of student debt can serve to indenture new DVMs and increase stress levels. Simultaneously, staffing challenges and shortages make it difficult to maintain work-life balance. Many DVMs also face onerous (and often manual) administrative requirements, all of which collectively contribute to an arduous workload. Practice owners who still have clinical responsibilities face an additional layer of challenges with management of the practice's finances and operations.

Meanwhile, as veterinary medicine enters its second decade of consolidation, there are **now over 50 private equity-backed platforms** actively consolidating the industry. This creates a **deep pool of buyers**, and the resulting competition to acquire attractive practices has driven practice purchase prices to record levels. Transactions for high-quality, strategically important practices of scale are frequently “fetching” enterprise values equivalent to 15x to 20x EBITDA. Smaller practices are also commanding compelling valuations in the current market relative to historical norms. Numerous well-financed buyers willing to pay robust values will continue to accelerate the pace of consolidation as the U.S. follows the consolidation precedent evident in the European veterinary services market.

Consolidation and heightened competition at these levels also serve as a **catalyst for evolution and the development of differentiated offerings.** Consolidators will increasingly invest in more sophisticated infrastructure while achieving reduced costs through economies of scale. Widespread advances will continue through the adoption of modernized practice management and telehealth systems, advanced clinical procedures and therapies, and powerful pet owner engagement tools.

In summary, the industry landscape is shifting for independent practice owners and the pace of change is accelerating. There are multiple strategic alternatives to explore, with the simplified options being:

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**

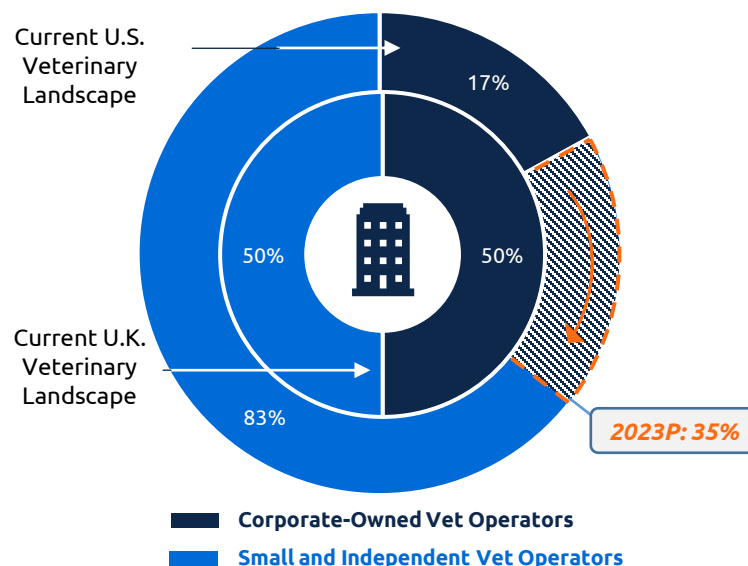
LEADING VETERINARY SERVICES CONSOLIDATORS

The seven largest consolidator platforms in the U.S. are growing at a rate of up to 100 veterinary practices per year

Platform	Current Practices	Expected Annual Consolidation Pace	2023P Practices
MARS	~2,000	~75 – 100	~2,250 – 2,350
  NVA Compassion First	~700	~75 – 100	~955 – 1,065
 VetCor	~370	~40 – 50	~510 – 555
 pathway™	~215	~45 – 60	~390 – 445
  SVP MVP	~210	~20 – 30	~320 – 360
 PetVet Care	~200	~40 – 50	~380 – 425
 Blue River	~95	~25 – 35	~205 – 250

GLOBAL ANIMAL HEALTH TRENDS

Following international trends, U.S. consolidation is expected to increase to ~35% corporate-owned vet operators by 2023

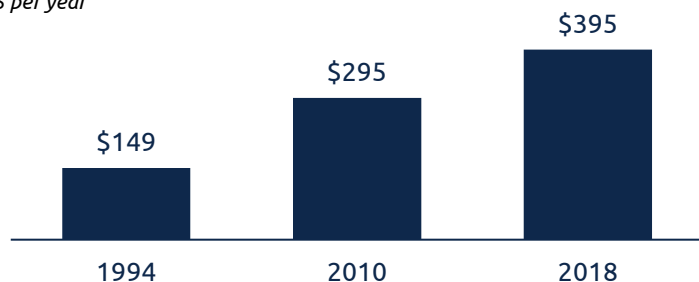


Industry Drivers and Market Sizing

DRIVER – AVG PET SPENDING PER HOUSEHOLD

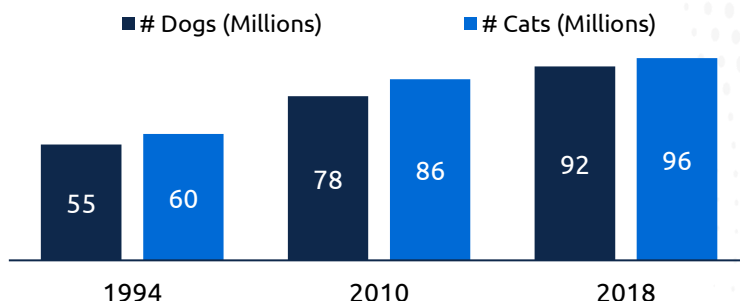
Industry trends have resulted in rapidly increasing spend per pet, which continues to drive market growth

\$ per year



DRIVER – PET POPULATION

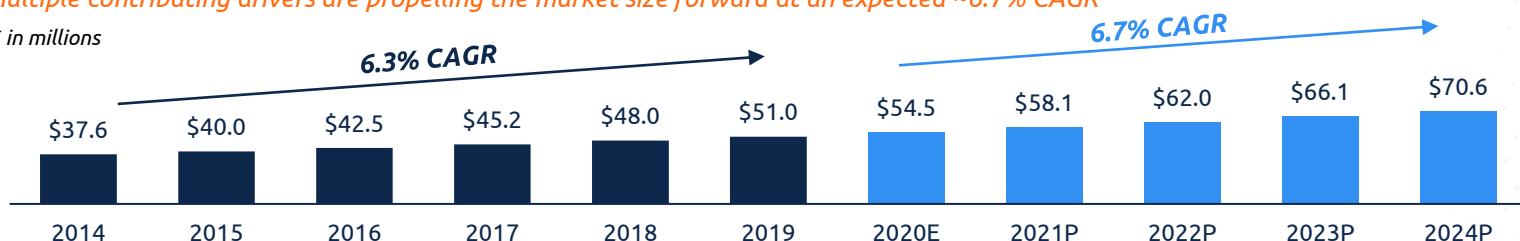
Pet population growth is outpacing human population growth, with an expected dog and cat population of 210mm+ by 2023



U.S. VETERINARY SERVICES SPENDING

Multiple contributing drivers are propelling the market size forward at an expected ~6.7% CAGR

\$ in millions

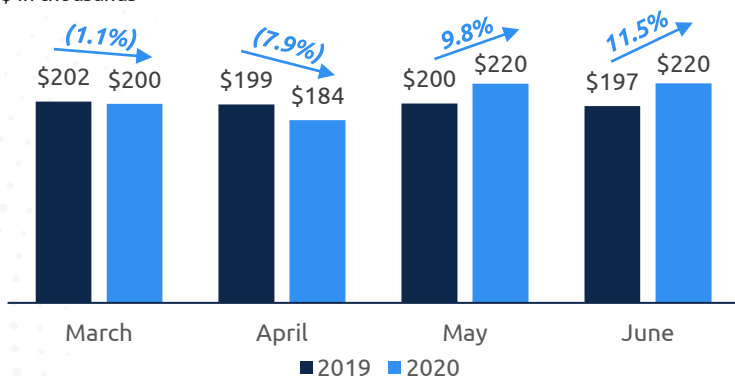


Recessionary Resistant Dynamics

COVID-19 EFFECT ON U.S. VET SERVICES (YoY)

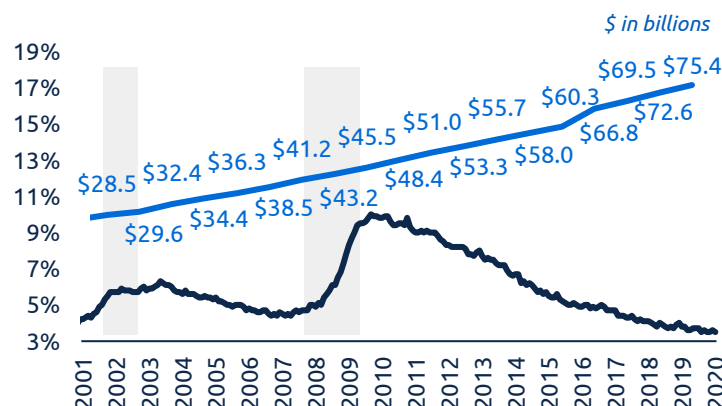
Veterinary businesses are adapting to the implications from COVID-19 and are proving again to be a resilient healthcare vertical when compared to the performance of human focused clinician services businesses, which are experiencing 30-80% less visits during COVID-19 lockdown

\$ in thousands



U.S. PET SPENDING VS UNEMPLOYMENT RATE

Reviewing past recessionary periods, pet spending decoupled from unemployment and other economic indicators, demonstrating itself as a recession-proof industry—an especially attractive trend in today's uncertain environment



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

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