



## Veterinary Services Sector Brief

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Harris Williams | Q1 2024

# Categories of Veterinary Services

## Boarding and Grooming



- ✓ Overnight Boarding
- ✓ Daycare
- ✓ Grooming
- ✓ Play Groups
- ✓ Training

### Representative Platforms



### Key Trends

- Boarding and grooming represents a substantial opportunity given relative market fragmentation
- Combination with wellness care enables capture of greater portion of pet parent wallet share
- Partnerships with retailers, resorts, and pet products companies create built-in customer base

## General Practice



- ✓ Wellness
- ✓ Vaccinations
- ✓ Dentistry
- ✓ Laser Therapy
- ✓ Ultrasound
- ✓ Radiology

### Representative Platforms



### Key Trends

- General veterinary practices serve as the foundation and front line of veterinary care, in which the typical pet parent will seek routine care on a regular basis
- Emphasis on operating at scale and integrating technological advancements to drive efficiency

## Urgent Care



- ✓ Non-Life Threatening
- ✓ Common / Immediate Needs
- ✓ On-Demand Care
- ✓ After-Hours
- ✓ Easy to Access Locations

### Representative Platforms



### Key Trends

- Opened to meet the middle ground between scheduled, routine care and life-threatening emergency care
- Typically is cheaper for pet parents than traditional emergency care
- Lighter-weight business model with less initial capex required (no surgical equipment), flexible staffing, and reduced hours of operation

## Emergency / Specialty Practice



- ✓ Life-Threatening
- ✓ 24/7 Availability
- ✓ Exotic Animals
- ✓ Internal Medicine
- ✓ Surgery
- ✓ Cardiology, Oncology, and Neurology

### Representative Platforms



### Key Trends

- Big focus on increasing pet parent access to emergency care amid significant supply/demand imbalance
- Specialty care is usually not available directly to pet owners, operating on referral-based models through GP
- Supported by growing emphasis on pet health and spill-over of traditional medicine into veterinary medicine

# What We're Reading

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## A Test Case for Remote Work in Veterinary Practice

### American Veterinary Medical Association

Adobe Animal Hospital Los Altos, a clinic near San Jose, California, has both on-site customer service representatives (CSRs) and off-site video client representatives (VCRs) using the Otto platform. Otto integrates with Adobe's existing infrastructure and enables clients to chat, request medical records, or make appointments through a VCR. Chat logs can be loaded into the PIMS and transferred into patients' medical records.

*Read the full article [here](#).*

## Walmart Opens a Pet Center with Veterinary Care and Grooming as It Signals Bigger Ambitions

### CNBC

Walmart is opening its first pet services center, outside Atlanta, with plans to open more locations. The pilot location will offer veterinary care and grooming services, building on Walmart's traditional pet business, which includes selling pet food and top pet medications. Walmart's pet services center will have its own dedicated entrance next to a store, carrying the Walmart name while employees of PetIQ staff it.

*Read the full article [here](#).*

## The State of Emergency and Specialty Veterinary Care

### Instinct Science

Instinct surveyed 277 emergency and specialty veterinary professionals to better understand how they're addressing challenges, enhancing productivity, evolving hiring and team structure, and advancing technology in 2023. They found that the majority of ER and specialty hospitals are facing staffing shortages (86%), employee mental health challenges (83%), and increased patient volumes (54%).

*Access the full survey results [here](#).*

## Tackling the Veterinary Professional Shortage

### Mars Veterinary Health

Mars enlisted the help of a researcher to quantify the shortage of companion-animal veterinarians, veterinary technicians, and veterinary specialists and found that pet healthcare services spending is expected to increase 3-4% per annum beyond inflation over the next 8-10 years, up to 55,000 additional vets will be needed by 2030, and a shortage of up to 24,000 companion-animal vets will likely exist by 2030.

*Read the full article [here](#).*

# Strategic Update: Running Away from vs. Embracing Brick and Mortar Clinics

**PETIQ**

Smarter Pet Health

Services Segment Reported a Q3 2023 Net Revenue Increase of ~12% Y/Y on the Back of Starting to Shut Down Wellness Centers

Services Segment Optimization

- Earlier this year, PetIQ conducted an assessment of the operational and financial performance of its wellness centers since re-opening after the pandemic, the veterinary labor market in each geography, and the potential opportunity to convert these locations to more profitable hygiene-focused centers based on available square footage
- As part of the assessment, the company identified 149 underperforming wellness centers, and PetIQ closed 45 of those centers in the third quarter and expects to close the remaining 104 underperforming centers by the end of the fourth quarter
- The company expects to generate ~\$6M of net cost savings over the next 12 months as a result of these closures, which it plans to reinvest into its future growth, focusing on areas where the company has seen favorable return on investment such as mobile community clinics and sales and marketing efforts for PetIQ's manufactured brands

**chewy**

2011

Online pet supply platform encompassing a broad range of retail goods

**connect with a vet.**

2020

Teletriage offering built on a proprietary tech stack enabling live text chats and video calls with licensed vets

**practicehub**

2021

E-commerce offering for vets that integrates with Practice Information Management Systems (PIMS)

**careplus**

by **chewy**

**trupanion**

Medical insurance for your pet.

2022

Introduction of pet insurance offerings through partnerships (Trupanion and Lemonade); acquisition of Rhapsody PIMS solution to serve as a launchpad for eventual jump into physical clinics

**chewy VetCare**

2024

Introduced plan to open 4-8 vet clinics in Denver and S. Florida in 2024, representing first foray into brick and mortar

**Industry Backdrop**

- \$144B Pet TAM comprises Pet Food and Supplies (~\$87B), Pet Health (~\$47B), and Pet Services<sup>(1)</sup> (~\$10B), and is expected to grow at a 5-7% CAGR from 2023 to 2027<sup>(1)</sup>
- Pet retail and pharmacy purchases have continued to shift online, providing both challenges and opportunities for traditional veterinary services platforms
- There is no existing platform that addresses all components of the broader pet and vet services ecosystem (online retail, pharmacy, e-commerce, PIMS, insurance, and veterinary care)

**Objectives of Chewy Vet Care**

- Leverage proprietary technology to combine veterinary care and e-commerce
- Drive incremental wallet share capture by expanding into critical areas of the vet ecosystem
- Enable the offering of in-clinic product sales (Chewy estimates ~\$11B market)
- Drive adoption of existing Chewy offerings, including PIMS software and pet insurance
- Create opportunity to test and refine future new offerings
- Capitalize on consumer brand familiarity of traditional Chewy platform to convert pet parents into Chewy clinic customers

**Implications for Veterinary Industry**

- Chewy goes from being a service provider to a competitor for the vet industry – with an estimated ~14K vet clinics enrolled in PracticeHub and a \$1B pet pharmacy business
  - Will clinics continue to want to use a competitor's suite of products?
- Increased competition for DVMs in a challenging recruitment and retention environment
- Heightened need to drive economies of scale/create efficiencies in operations
- Accelerated adoption of tech-enabled services and platforms by pet owners

Harris Williams

Sources: Industry Research Reports, Chewy investor presentation (December 2023)  
(1) Pet services include grooming, boarding/daycare, training, pet sitting/walking, and other pet services

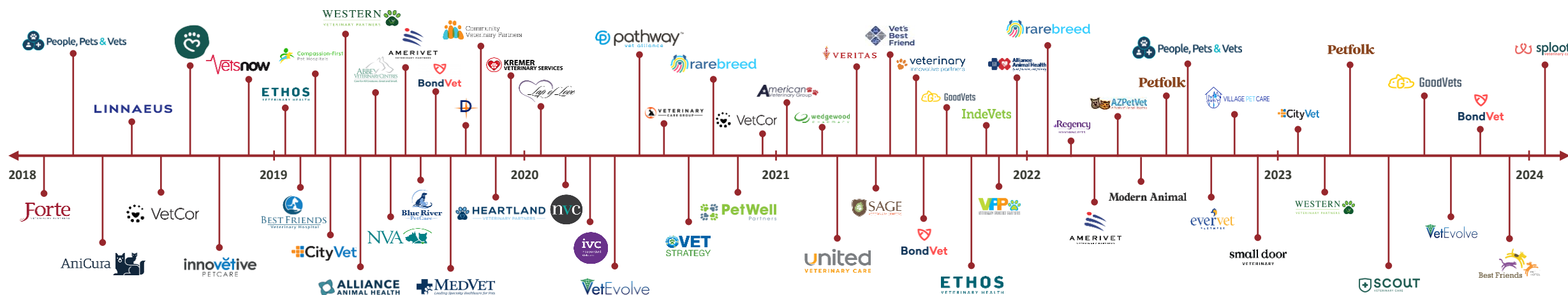
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# Veterinary Services M&A Market Overview

Record transaction activity in veterinary services throughout 2020 and 2021 changed the landscape of the industry and introduced new dynamics that HW observed in 2022 and 2023.

## Harris Williams Observations

- 50+ platforms have been established and scaled very quickly through M&A, and many of them are perceived to be "asset aggregators" versus truly differentiated operators
- A number of the scaled platforms responsible for pushing higher tuck-in M&A multiples have pulled back from the market and are focused internally
- Antitrust scrutiny has become more stringent as consolidation in veterinary services has accelerated; after long review processes for multiple specialty veterinary transactions in 2021 and 2022, strategic investors have become much less viable for specialty veterinary hospital operators
- Investors are increasingly focused on platforms' key differentiators (e.g., M&A engine and post-acquisition performance, improved pet parent experience, DVM recruitment and retention trends, de novo strategy)
- A number of other scaled veterinary platforms – primarily GP – explored the market in 2022 and 2023 but did not transact
- A few smaller, de novo-driven businesses have successfully raised growth capital while they continue to refine their own go-to-market strategy



# Select Veterinary Services Investments

## Sploot Receives Strategic Investment from L Catterton



Target



Investor

Announced: 1/16/2024

States: 2  
Locations: 9

- Sploot is a technology-driven, comprehensive veterinary care platform providing an integrated clinic experience fulfilling the majority of primary care and urgent care needs
- The investment will enable Sploot to expand its footprint in new and existing markets and enhance the company's digital solutions

## GoodVets Receives Strategic Growth Investment from General Atlantic



Target



Investor

Announced: 9/13/2023

States: 6  
Locations: 20+

- GoodVets is a leading modern, single-brand veterinary care platform operating 22 care centers in six states, with additional planned openings in California, New York, and Texas
- General Atlantic joins existing investor SkyKnight Capital in building a scaled national veterinary platform through GoodVets' leadership in the de novo veterinary market

## Bond Vet Raises \$50M for Growth from Talisman and Warburg



Target

WARBURG PINCUS



Investor

Announced: 10/16/2023

States: 4  
Locations: 30+

- Bond Vet is a provider of veterinary urgent and primary care services in the U.S., accommodating pre-scheduled appointments and walk-in visits while also offering telehealth services
- In addition to investments by Talisman Capital Partners and Warburg Pincus, Bond Vet's co-founders, Zay Satchu, Mo Punjani, and Lukas Keindl also invested

## Petfolk Raises \$40M in Series B Funding Led by Movendo



Target



Investor

Announced: 7/17/2023

States: 2  
Locations: 10+

- Petfolk is a Charlotte, N.C.-based modern veterinary care company providing services for pets, pet owners, and veterinarians in-person as well as virtually through the Petfolk mobile app
- Movendo Capital was joined by existing investors Idea Farm Ventures and White Star Capital, among others, to provide funds to expand Petfolk's operations and business reach

## VetEvolve Receives Strategic Investment from Varsity Healthcare Partners



Target



Investor

Announced: 10/16/2023

States: 5  
Locations: 30+

- Headquartered in Richmond, VA, VetEvolve is a general veterinary care platform employing over 100 DVMs across 32 clinics throughout the Mid-Atlantic region
- Varsity Healthcare Partners joined with VetEvolve's management team to extend VetEvolve's regional presence and expand the company into new geographies

## Western Veterinary Partners Receives Minority Growth Investment



Target



Investor

Announced: 3/20/2023

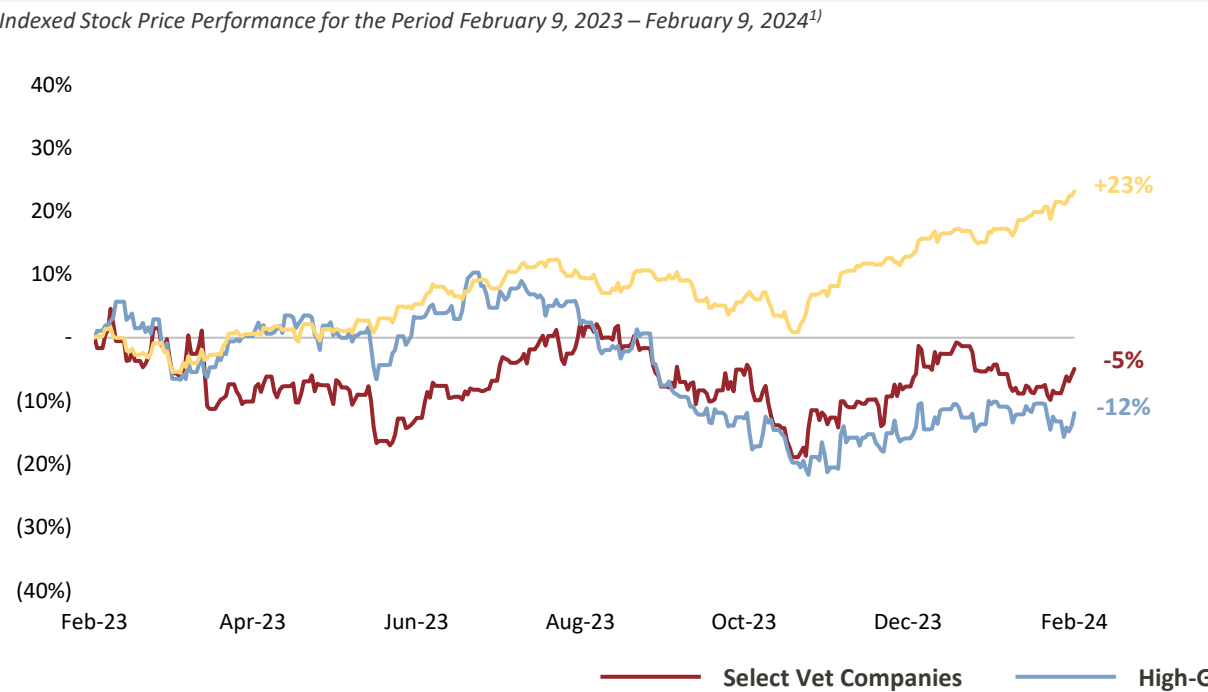
States: 39  
Locations: 90+

- Western Veterinary Partners is a fast-growing veterinary support organization with a growing number of general veterinary hospitals across the United States
- The growth capital will allow Western's management team to serve a growing number of companion-animal veterinarians, support-team members, customers, and patients

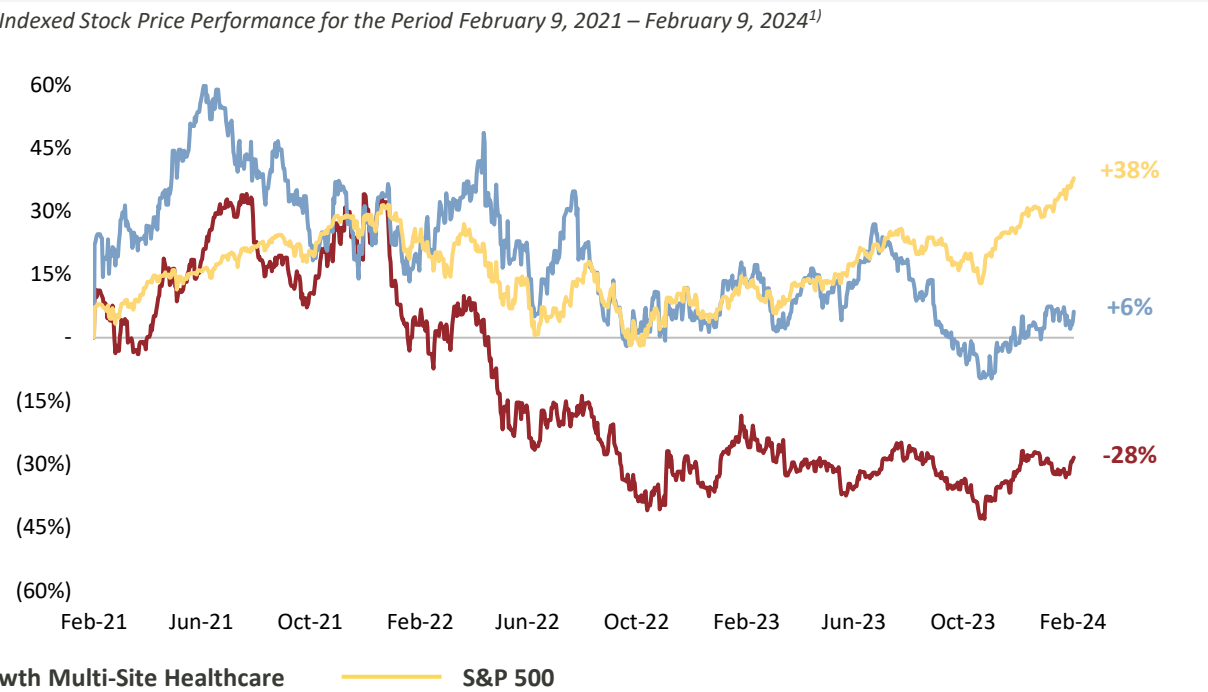
# Vet and High-Growth Multi-Site Healthcare Public Company Trended Stock Performance

Comparative underperformance of veterinary services and high-growth multi-site healthcare companies to the broader market reflects uniquely challenging environment faced by labor-based, acquisition-heavy, multi-site businesses.

Public Company Stock Performance – Last 12 Months



Public Company Stock Performance – 3 Years

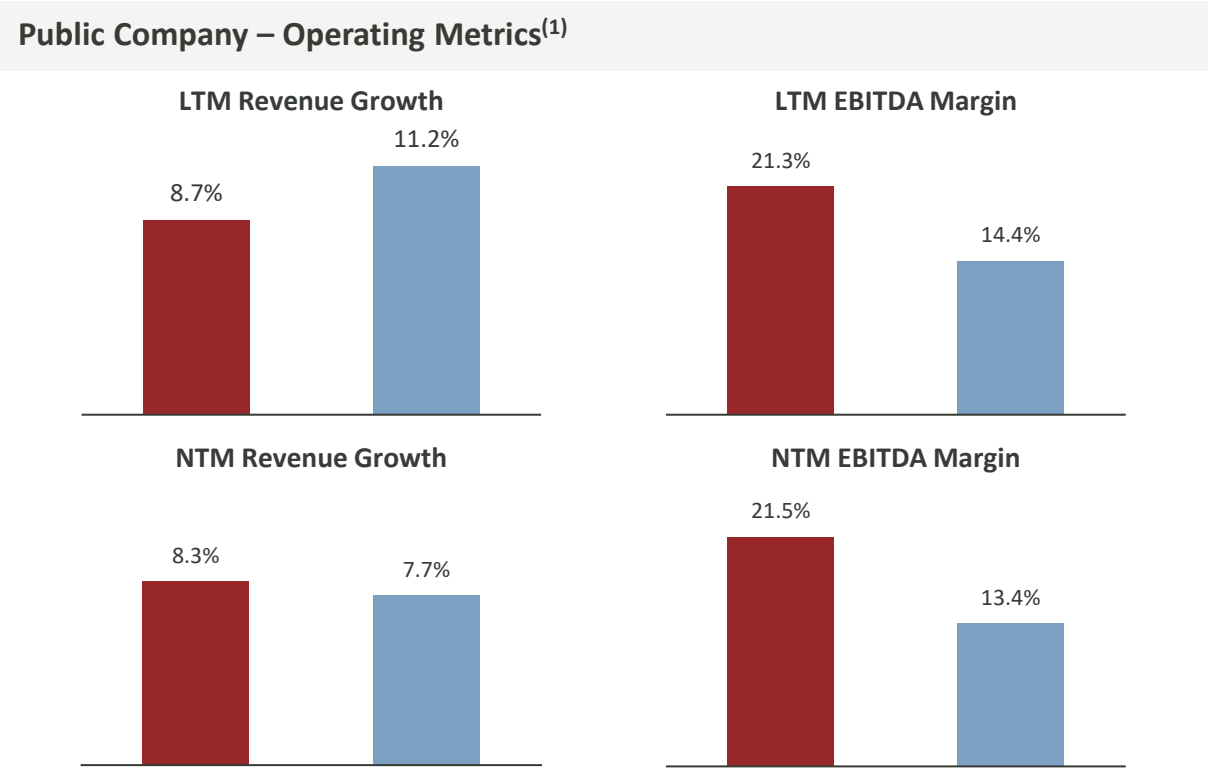


Select Veterinary Services Companies

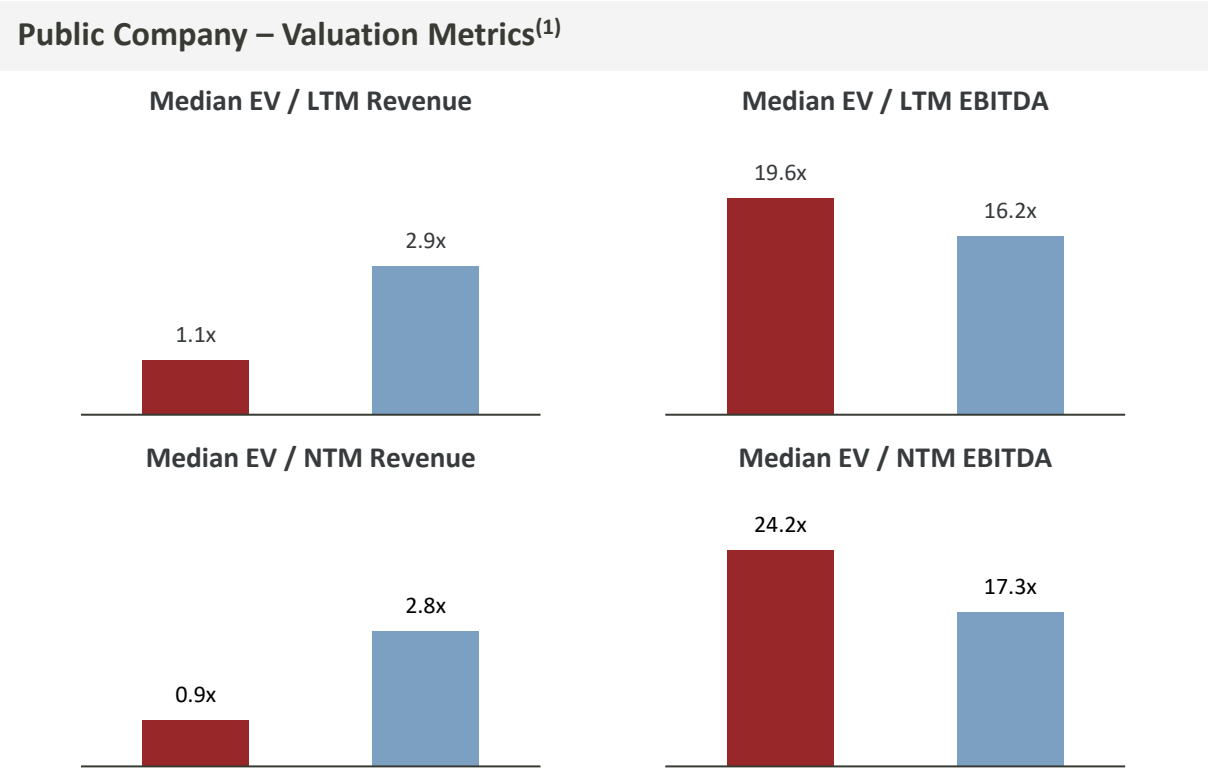
Select High-Growth Multi-Site Healthcare Companies

# Vet and High-Growth Multi-Site Healthcare Public Company Operating and Valuation Metrics

Veterinary services companies are trading at higher EBITDA multiples than high-growth multi-site healthcare businesses given higher profitability margins and forward growth expectations within the broader veterinary landscape.



Select Veterinary Services Companies





















Select High-Growth Multi-Site Healthcare Companies



# Harris Williams Has Highly Relevant Animal Health and Pet Expertise

## HW Has the Most Relevant Transaction Experience in the Veterinary Services Market...

 a portfolio company of <b>Cressey &amp; Company</b> has been acquired by  a portfolio company of  <b>Cressey &amp; Company</b>	 a portfolio company of <b>LIGHTBAY CAPITAL</b> has been acquired by  <b>L CATTERTON</b>	 a portfolio company of  <b>TRIVE CAPITAL</b> has been acquired by  <b>OAK HILL CAPITAL</b>	<b>Berkshire Partners</b> has acquired  <b>VET STRATEGY</b>	 a portfolio company of <b>Morgan Stanley</b> Global Private Equity has been acquired by <b>TSG CONSUMER</b>	 has acquired  a portfolio company of  <b>CORTEC Group</b>	 has received an investment from  <b>SKYKNIGHT</b>	 has made an investment in  a portfolio company of  <b>Cressey &amp; Company</b>
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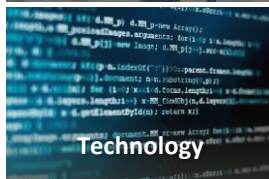
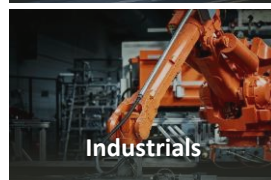
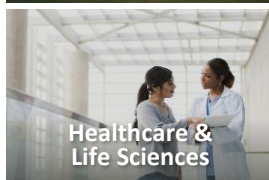
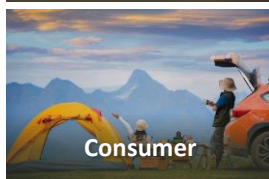
## ...And a Long Track Record of Being a Trusted Advisor to Leading Pet Companies

 has received a significant investment from  <b>L CATTERTON</b>	 has been acquired by  <b>Seidler Equity Partners</b>	 a portfolio company of  has been acquired by  <b>Petmate</b>	 a portfolio company of  <b>L CATTERTON</b> has been acquired by  <b>CAPVEST</b>	 has invested in  <b>VICTOR</b>	 a portfolio company of  has been acquired by  <b>3i</b>	 a portfolio company of  has been acquired by  <b>Cargill</b>	 a portfolio company of  has been acquired by  <b>PATTERSON COMPANIES, INC.</b>
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Harris Williams is a global investment bank specializing in M&A and private capital advisory services. Clients worldwide rely on us to help unlock value in their business and turn ambitious goals into reality. We approach every engagement with boundless collaboration, pooling expertise and relationships across industries, service offerings, and geographies.

## Deep Industry Experience



## Proven Expertise

MERGERS & ACQUISITIONS

PRIVATE CAPITAL SOLUTIONS

PRIMARY FUND PLACEMENT

## Core Values That Drive Success



75% Revenue from repeat clients

87% Managing Directors promoted from within

30+ Year history

# Harris Williams / GLOBAL INVESTMENT BANK

## Select recent transactions in the veterinary services sector:



**People, Pets & Vets**  
a portfolio company of  
**Cressey & Company**  
has been acquired by  
 **VetCor**  
a portfolio company of  
 **HARVEST PARTNERS**  
**Cressey & Company**



**Alliance Animal Health**  
*Great practices. real priority.*  
a portfolio company of  
**LIGHTBAY CAPITAL**  
has been acquired by  
 **CATTERTON**

**American Veterinary Group**  
a portfolio company of  
 **LATTICWORK CAPITAL MANAGEMENT**  
 **TRIVE CAPITAL**  
has been acquired by  
 **OAK HILL CAPITAL**



**pathway**  
vet alliance  
a portfolio company of  
**Morgan Stanley**  
Global Private Equity  
has been acquired by  
**TSG CONSUMER**

## Learn more about our experience in the space:



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# Sources and Disclosures

## Sources

1. S&P Capital IQ
2. PitchBook

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