



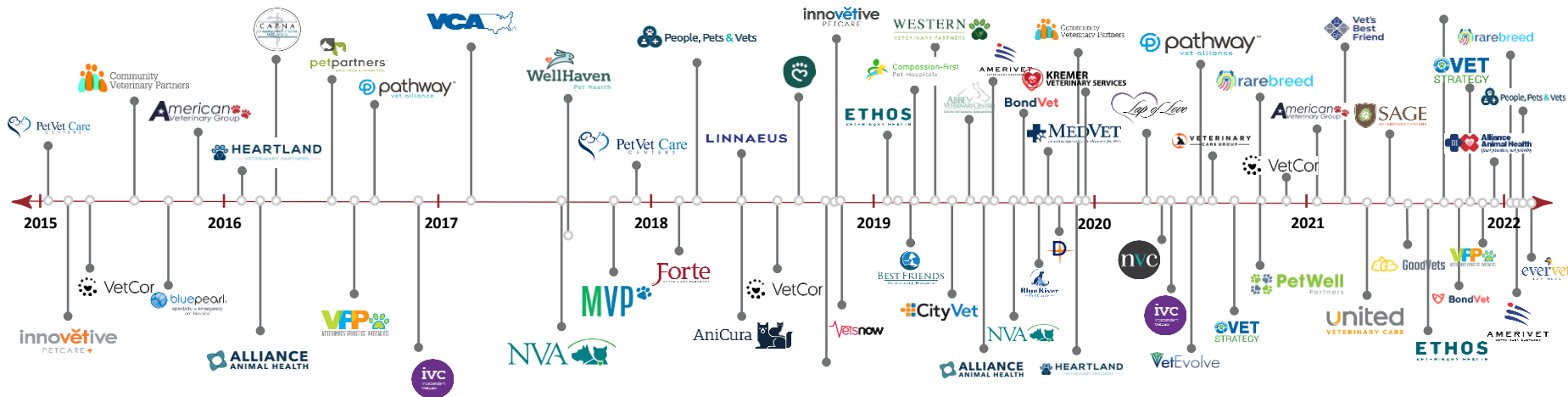
Veterinary Services - Sector Update

Q4 2022






Significant M&A Activity in the Vet Sector...

The veterinary services industry has seen an unprecedented and accelerating level of consolidation in the last several years.

Acceleration of Scaled M&A...

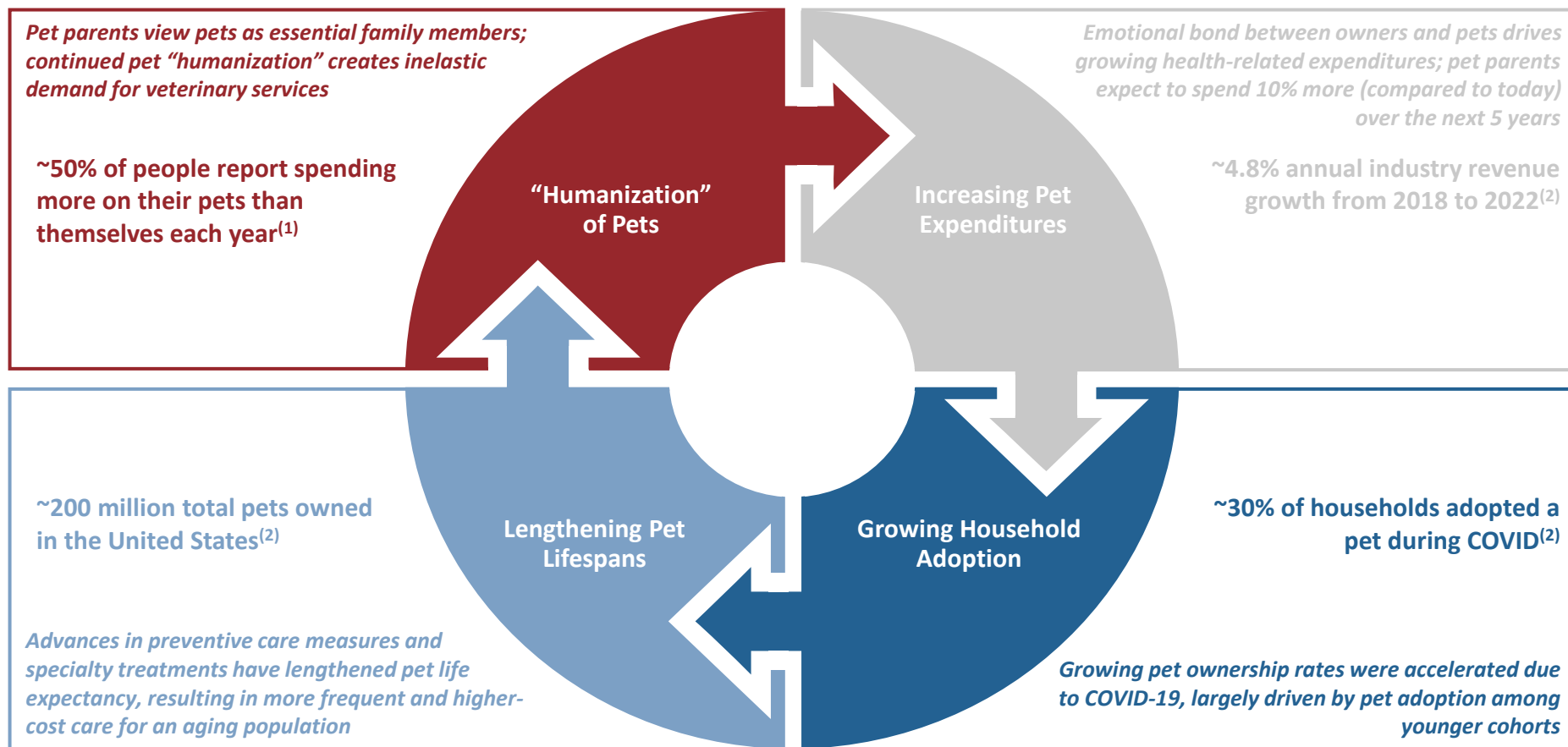


...With Several Major Players Emerging

 <p>IVC EVIDENSIA</p>	 <p>MARS petcare</p>	 <p>NVA</p>	 <p>PetVet Care CENTERS</p>	 <p>thrive PET HEALTHCARE</p>
<p>14 COUNTRIES</p>	<p>42 STATES</p>	<p>45 STATES</p>	<p>37 STATES</p>	<p>36 STATES</p>
<p>~2,300 CLINICS</p>	<p>2,500+ CLINICS</p>	<p>1,000+ CLINICS</p>	<p>450+ CLINICS</p>	<p>~455 CLINICS</p>
<p>~15,000+ DVMs</p>	<p>15,000+ DVMs</p>	<p>4,000+ DVMs</p>	<p>~1,000+ DVMs</p>	<p>~1,000+ DVMs</p>






...Due to Sustained Industry Tailwinds...

The macro and sector tailwinds are well understood and will continue to propel the veterinary services industry forward.



...With a Long Runway for Continued Value Creation

Even the largest, most sophisticated platforms have immense value creation opportunities left to explore.

Growth Lever	Value Creation Opportunity		Commentary
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"Pet Parent" Engagement			<ul style="list-style-type: none"> The "pet parent" experience is becoming increasingly important as consumerization accelerates Many platforms are borrowing consumer retail strategies to develop new approaches for tailored client engagement Focus on leveraging technology to improve client connectivity
DVM Recruitment & Retention			<ul style="list-style-type: none"> DVM recruitment and retention represent areas for continued improvement, especially in today's tight labor market Developing partnerships with veterinary schools and deepening the associate DVM pool represent clear value creation opportunities Many platforms are heightening their focus on employee development programs as a DVM retention tool Platforms are increasingly focused on initiatives to improve the mental health and well-being of their DVMs
Service Mix Expansion			<ul style="list-style-type: none"> Platforms are looking for opportunities to integrate service lines and benefit from cross-selling opportunities Continued trend of integration across veterinary services, non-medical services, and product sales
De Novo Expansion			<ul style="list-style-type: none"> Platforms with proven de novo strategies possess a unique growth angle that is largely nascent among many players in the market and can be an attractive differentiator Pace of de novo activity will likely accelerate as more platforms develop the DVM recruitment capabilities needed to execute de novos at scale
M&A			<ul style="list-style-type: none"> The veterinary landscape remains fragmented The "land grab stage" has matured, and a successful M&A strategy requires tangible value creation rather than pure asset aggregation Prevalence of regionally strong platforms creates the opportunity for consolidation of the consolidators

Investor Focus Has Shifted...

The veterinary services industry has entered a new phase of its evolution, as investor focus has shifted toward improving the veterinarian and pet parent experiences.

Stage		Innings 1 – 3 The Land Grab Stage	Innings 4 – 6 The Professionalization Stage	Innings 7 – 9 The Consumer Stage
State of Play		<ul style="list-style-type: none"> Mix of independent and small, newly created sponsor-backed platforms Early-stage M&A activity paired with de novo strategy to complement growth Investment focused on management and basic infrastructure 	<ul style="list-style-type: none"> Focus on building scalable platforms and driving operational improvements Invest in systems and infrastructure to support expansion and manage clinical quality Still highly fragmented market supports robust M&A strategy 	<ul style="list-style-type: none"> Presence of multiple large regional and national platforms in the space Greater emphasis on using technology and business analytics to optimize operations Shift in focus toward improving the pet parent and DVM experience and maximizing revenue
Level of Sophistication	Clinical Efficiency & Analytics		<p><i>Focus on the pet parent experience, service mix expansion, pet parent engagement, and operational optimization, with significant opportunity for investors to continue adding value</i></p>	
	Back-Office Capabilities			
	Veterinarian Experience			
	Customer Experience Focus			
	Ancillary Service Offerings			
	Scale Developed			
	Level of Consolidation			
Key Capabilities Developed		<ul style="list-style-type: none"> Core administrative functions Financial management operations Equipment and supplies 	<ul style="list-style-type: none"> Technology infrastructure Provider recruitment Payor contracting 	<ul style="list-style-type: none"> Marketing, branding, and patient acquisition Pet parent experience DVM recruitment and retention Business analytics

...And the Future of the Industry Remains Very Bright

Harris Williams believes that investor interest in the sector will continue to be strong into the future.

SECTOR ATTRACTIVENESS

Veterinary services will continue to be a fundamentally attractive sector with superior structural dynamics

SUSTAINED TAILWINDS

Platforms will continue to capitalize on sustained industry tailwinds and favorable demand trends

FOCUS ON OPTIMIZING OPERATIONS

The industry has entered a new phase of growth, and investors are putting a greater emphasis on using technology and business analytics to optimize operations and grow organically rather than focusing on pure asset aggregation

ANCILLARY SERVICE EXPANSION

Investors have historically been eager to seek investments in general practice, specialty, and emergency vet care sectors, as well as ancillary services such as boarding and grooming services; Harris Williams believes this trend will only accelerate as notable industry participants continue to integrate offerings

Veterinary Services Market Map

PLEASE CONTACT HARRIS WILLIAMS TO DISCUSS

A Collaborative Approach to Consumer Healthcare

We pool the expertise in consumer, healthcare and life sciences, and technology to advise premier companies across the consumer healthcare landscape.

FOR MORE INFORMATION ON OUR EXPERIENCE
IN THE VET SERVICES SECTOR, CONTACT WHIT KNIER & GEOFF SMITH:



Whit Knier

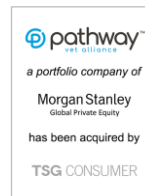
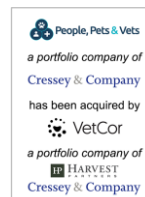
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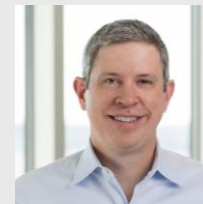
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Harris Williams: Capabilities and Locations

Harris Williams has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at www.harriswilliams.com.



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Building Products
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Business
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