

## Veterinary Services: Rapidly Growing, Recession Resistant, Demographic-Driven

U.S. Veterinary Services companies continue to display robust performance during this extraordinary time. Strong financial & strategic buyer interest and spending trends driven by new generations of consumers will continue to allow well-positioned veterinary services firms to realize attractive valuation multiples.

### Industry Highlights

#### Rapid Anticipated Recovery

While routine veterinary services revenues may be impacted in the short-term by COVID-19, pent-up demand for services, the advent of new telehealth technologies, and continued trends towards “humanization” of pets are anticipated to speed the sector’s recovery in H2 2020.<sup>1</sup>

#### Highly Fragmented Market

With the top 50 veterinary services market participants comprising only 15% of total revenues, the market is dominated by small and mid-sized players with established geographic customer bases, representing attractive investment potential for financial buyers interested in the veterinary space.<sup>2</sup>

#### Positive Demographic Trends

Pet ownership in US households has increased to 67% or ~80 million families in 2020, up from 56% of households in 1988, with younger generations increasingly becoming pet owners prior to having children as a self-evaluation of caregiving ability and readiness to accept new responsibility.<sup>3</sup>

### Veterinary Services M&A

*Recent transaction multiples in the sector have ranged from 9x to 12x trailing twelve months EBITDA for established, privately held companies.<sup>4</sup>*

#	Timing	Acquirer Type	Target Company	Acquirer
1	Apr-20	Financial	Pathway Vet Alliance	TSG Consumer Partners
2	Dec-19	Strategic	Harthill & Priest Equine Surgery	Park Equine Hospital
3	Nov-19	Strategic	Shannon Animal Hospital	People, Pets and Vets
4	Oct-19	Strategic	Veterinary Specialists of Alaska	Sage Veterinary Centers
5	Aug-19	Strategic	Spanish Trail Animal Hospital	National Veterinary Associates

#### Key Value Drivers

*Rapid technological advancement will allow early adopters to consolidate market share and compete on quality with institutionally-backed firms.*

*Increases in pet life expectancies due to improvements in quality of care continue to drive increases in specialty veterinary services revenue.<sup>5</sup>*

*Continued growth of inter-practice referral partnerships is expected to drive consolidation into multi-specialty, “one-stop shop” practices.<sup>5</sup>*

Today’s M&A activity predominantly consists of two transaction rationales:

1. Large industry players seeking to expand geographically by acquiring new practices.
2. Consumer-focused financial buyers entering or re-entering the rapidly growing industry.

Sources: (1) Today’s Veterinary Business; (2) First Research; (3) Capstone Headwaters; (4) MergerMarket; (5) IBISWorld.

### Pinecrest’s Industry Experience

Pinecrest is pleased to have provided exclusive advisory services to Central Texas Veterinary Specialty & Emergency Hospital and continues to maintain relationships with prospective financial and strategic buyers who consistently communicate strong interest in the Veterinary Services industry.

**If you are thinking about your company’s future and curious about what a potential M&A strategy could look like, we would welcome the opportunity to connect with you and provide any insight or support that would be helpful.**



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