Winter 2022

Clearview

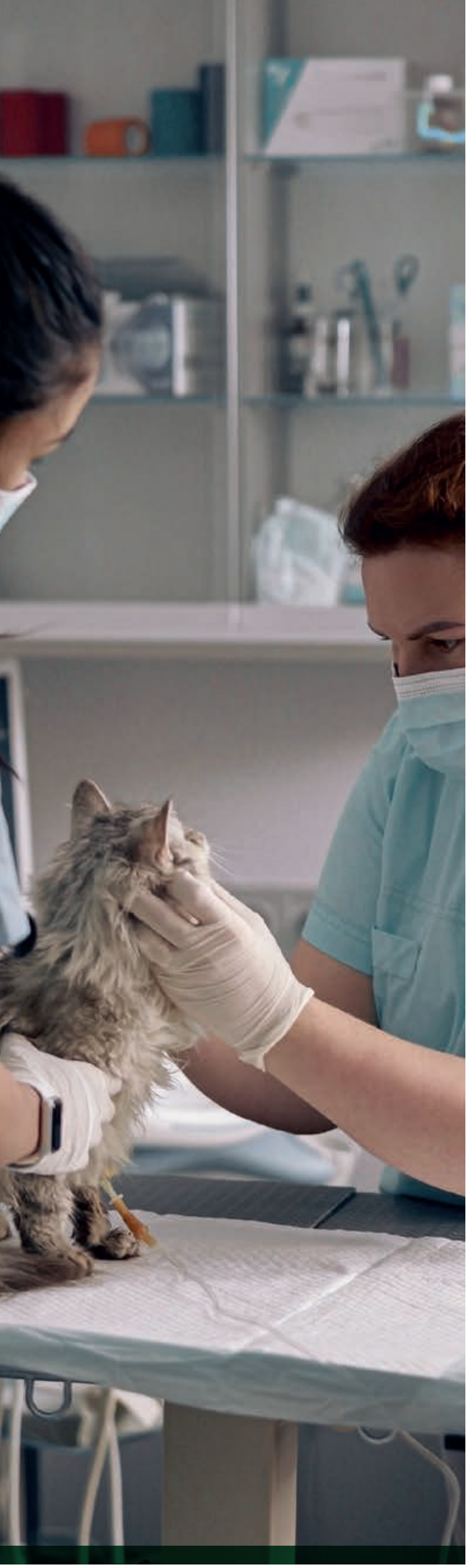
Veterinary Market

A rapid pace of acquisitions in the veterinary sector is fuelling consolidation across major brands, as investors look to consolidate after sizable growth during COVID-19.

Inside:

clearwaterinternational.com

CLEARWATER INTERNATIONAL



Market overview

Market segmentation

UK veterinary services can be segmented into the following activities:

- Healthcare and control activities for farm animals
- Healthcare and control activities for animals in the racing industry
- Animal healthcare and control activities for pets
- Animal ambulance services

There are

7,831

veterinary service providers

with around

29,000

vets in the UK

increasing from around **27,200** *in 2021.*[1]

Market size

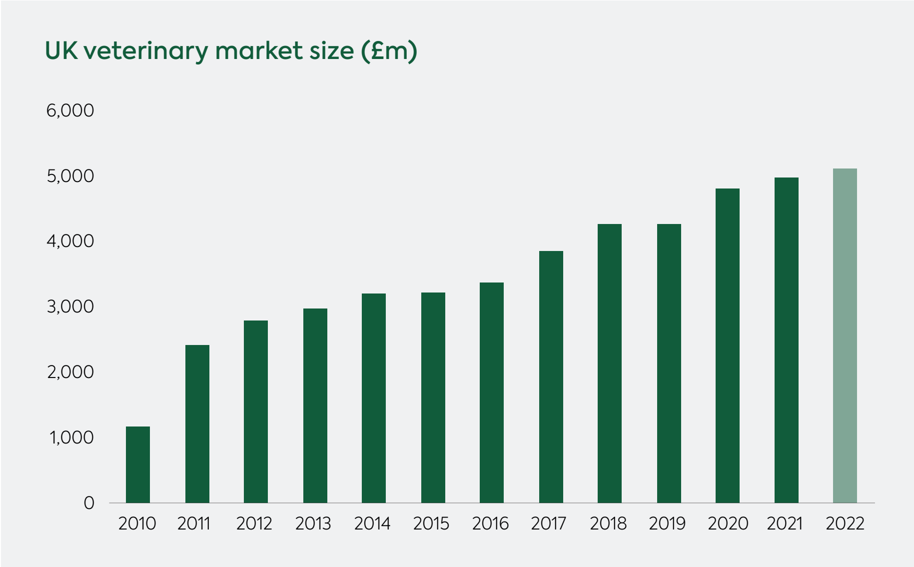
The market size of the UK veterinary services industry has grown at a compound annual growth rate (CAGR) of 3.2% between 2017 and 2022. This market is expected to increase by 12.1%, reaching £5.1bn in 2022.[2] The expansion has been supported by increased household disposable income, pet ownership rates among UK households, and the continued 'humanisation' of pets.

Increasingly advanced medical, surgical and diagnostic procedures, along with the growing availability of new drugs, are expected to increase the range of services that vets can provide, further contributing to market growth.

The UK pet population has increased dramatically since COVID-19, growing from 41% in 2019 to 62% in 2022, booming particularly among young people seeking companionship during lockdown.

Increasing consumer awareness on animal health and welfare has provided the industry with a degree of immunity from weak economic conditions, as well as veterinary spend being non-discretionary for most households.[3]

1. IBIS, 'Veterinary Services in the UK'. 2022.
2. IBIS, 'Veterinary Services in the UK'. 2022.
3. Office for National Statistics, 'Inflation rates for discretionary and non-discretionary spending: December 2021'.



Source: Office for National Statistics

COVID-19 implications

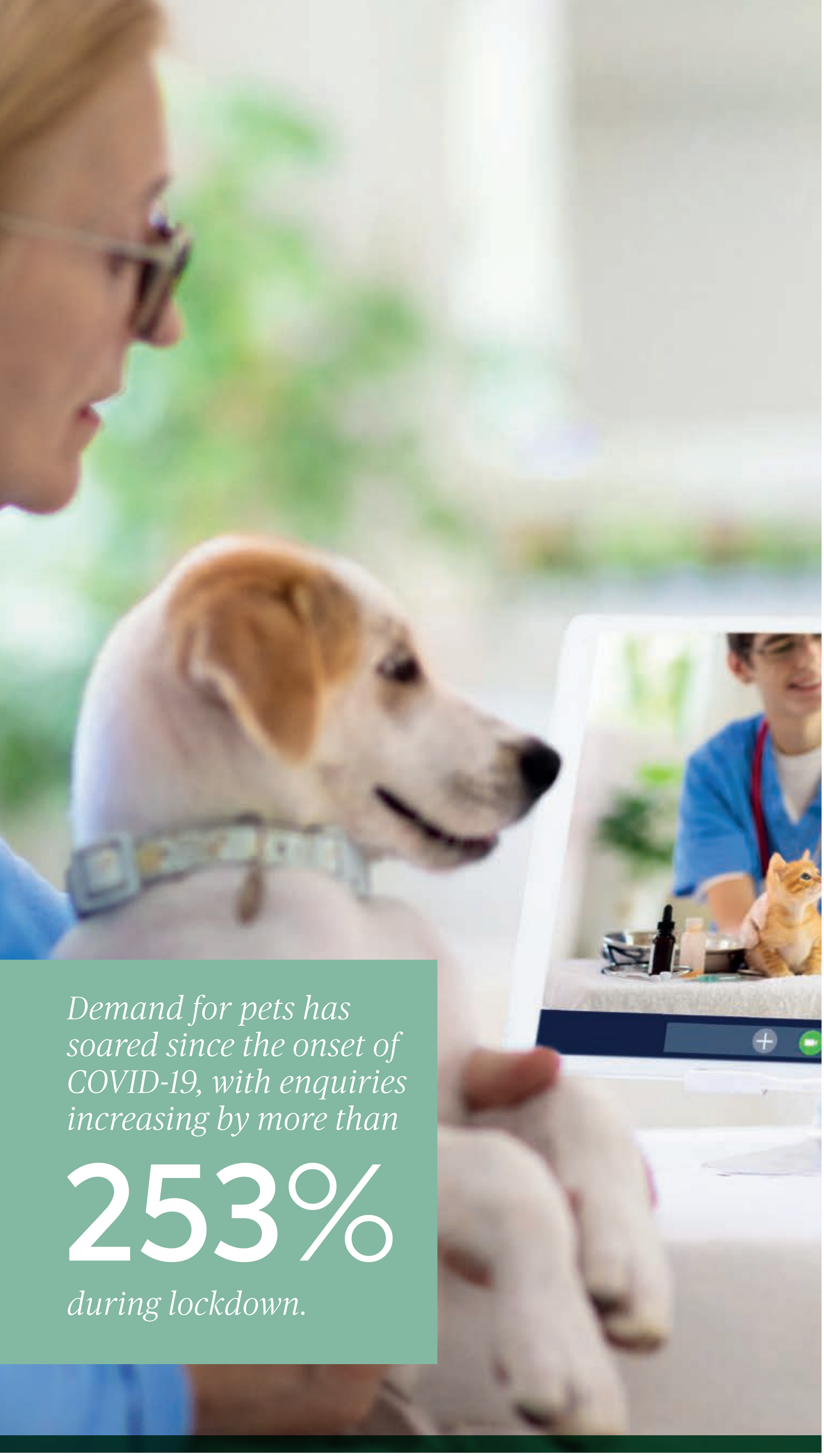
During the onset of the pandemic, veterinary practices were considered 'essential businesses', providing animal health support and other essential services for the community.

COVID-19 increased staff shortages in the UK veterinary sector, exacerbated by a lockdown pet boom, with 40.1% of vets working overtime to cover labour shortages.[4] Veterinary practices understaffed because of the pandemic, had to rely on locum vet providers.

According to the Pet Food Manufacturers' Association (PFMA), around 4.7m UK households adopted a pet since the pandemic started. Additionally, 17% of UK households welcomed a new or second pet into their home.[5] Due to the increasing amount of pet ownership, demand for veterinary services increased.[6]

Despite these challenges, the veterinary sector adapted well to the impact of COVID-19, with 65% of pet owners confirming it did not make it harder to access medicines.[7] Adaption methods have been like the wider human medical profession, with telemedicine becoming a core change to veterinary practices. Joii, a UK-based online-only telehealth veterinary app saw its usage increase by 900% over the pandemic.[8] Now, over a third of veterinary clinics offer telemedicine as an option.[9]

4. Institute for Employment Studies, 'Impact of COVID-19 Pandemic on Veterinary Surgeons'. 2021.
5. Pet Food Manufacturers' Association, 'NEW PFMA Pet Population Data Highlights Pet Peak But The Number Of Owners Giving Up Their Pet Is Huge Concern'. 2022.
6. British Veterinary Association, 'UK's veterinary workforce crisis deepens as EU registrant numbers drop by over two-thirds since Brexit'. 2022.
7. Health for Animals, 'Three ways Covid-19 has changed the veterinary profession'. 2022.
8. Animal Health Digest, 'Vet-AI and Joii reveal new research insights on telemedicine and changing pet owner expectations regarding accessing veterinary care'. 2021.
9. The Washington Post, 'Anxious pet owners face delays getting veterinarian appointments, even for sick animals'. 2020.



Demand for pets has soared since the onset of COVID-19, with enquiries increasing by more than

253%

during lockdown.

Brexit implications

The impact of Brexit on the veterinary industry has been high, with the focus largely on labour shortages in the industry.

The British Veterinary Association (BVA) highlighted vet shortages, after the workforce saw a drop of more than two-thirds in new EU registrants coming to work in the UK, in two years. Data released by the Royal College of Veterinary Surgeons (RCVS) revealed the annual number of registrants coming to work in the UK fell by 68%, from 1,132 in 2019, to 364 in 2021.[10] This drop is attributed in part to the end of free movement, Brexit and COVID-19, which could result in wide-ranging impacts across the sector, particularly in areas such as international trade and public health. Conversely, the UK's veterinary workforce is highly reliant on EU registrants, with RCVS data from 2021 indicating 29% of the existing workforce graduated from veterinary school in the EU.

The veterinary profession and the government have been monitoring the situation, introducing measures aimed at mitigating shortages. This includes modifying language testing requirements, a new certification support officer role to work under the direction of official veterinarians, plus new vet schools and course places, to boost domestic supply.

Growth in pet ownership

According to the latest annual population data by the PFMA, pet ownership is at a peak, with 17.4m households (62%) now owning a pet.

Demand for pets has soared since the onset of COVID-19, with enquiries increasing by more than 253% during lockdown.[11]

10. British Veterinary Association, 'UK's veterinary workforce crisis deepens as EU registrant numbers drop by over two-thirds since Brexit'. 2022.

11. Ibid.

This surge in demand for pet ownership is supported by a continued demand from Millennials and Generation Z.

A recent study found 70% of Generation Z would rather adopt a pet than have a child, showing the strength in the pet ownership trend amongst younger generations.

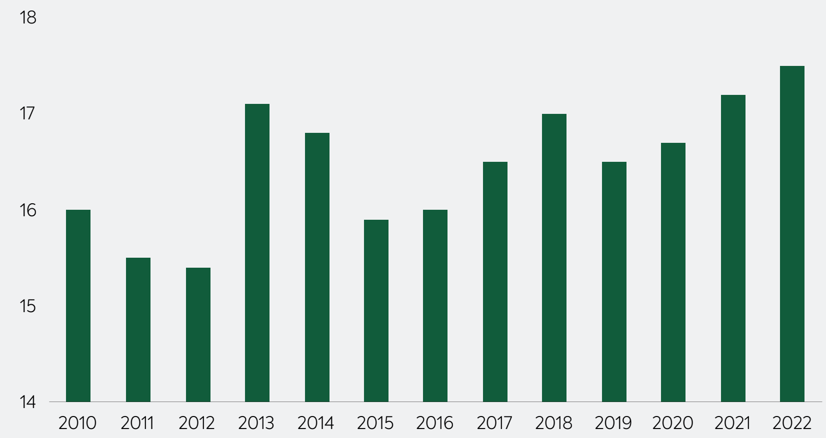
Additionally, the younger generations are clearly prepared to make sacrifices to ensure their pet's medical bills, with 49% willing to start a second job in order to cover the payments.[12]

70%

of Gen Z and millennials

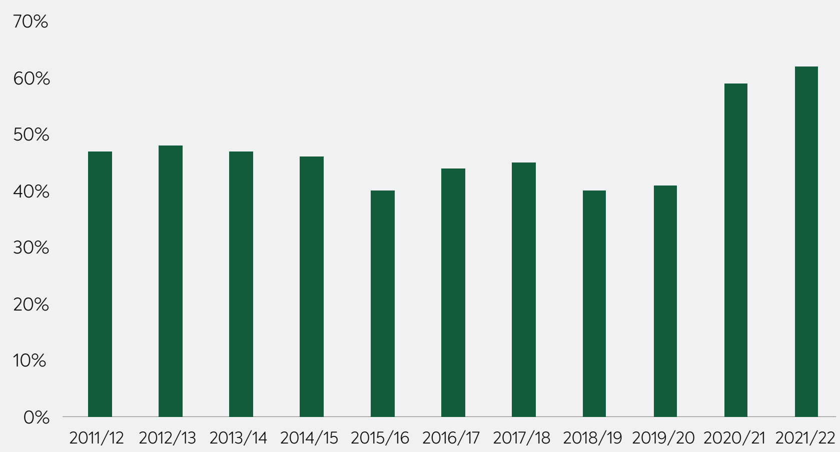
would rather adopt a pet than have a child

Total number of pets in the UK (m)



Source. IBIS, 'Number of Pets'. 2022.

Share of households owning a pet in the UK (%)



Source. Statista, 'Share of households owning a pet in the United Kingdom (UK) from 2011/12 to 2021/22'. 2022.

12. ConsumerAffairs, 'Millennials prefer pets to children', 2022

Humanisation of pets

Pet humanisation is defined as the attribution of human thought, feelings, motivations and beliefs to animals. In other words, owners want their pets to be treated as they would a child in the family. In society today, owners want their pets to share a similar lifestyle. Some examples include nutrition, birthdays and social media – with one in six pets now having their own social media account.[13] As a result, premiumisation has become a consistent factor in the market, with people willing to pay a higher price to ensure their pets receive the best. In many instances, premium pet products mirror what is happening in the human food industry.

Consumers are increasingly purchasing more pedigree and 'designer' dogs, even if they have long-term health-issues, which drives up veterinary service demand. Additionally, with working from home continuing post-COVID, people are spending more time with their pets. As a result, they notice problems which previously may not have been apparent – further increasing demand on the sector.

This humanisation of pets drives up demand for veterinary services in other ways. Firstly, insurance coverage has grown to match the demands of pet owners willing to pay higher premiums, for a wider range of medical problems. This leads to a higher requirement on veterinary practices, as owners expect treatments for a wider range of ailments.

13. Better Cities for Pets, 'New Survey Shows Pets are Social Media's Top Dogs (and Cats)'. 2021.

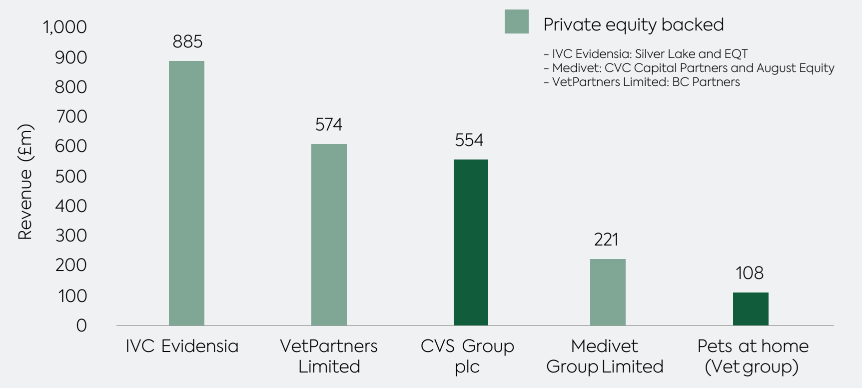
More than half of veterinary practices in the UK are now owned by **six companies,** *three of which are private equity owned.*

Private equity

The UK veterinary market has enjoyed large amounts of private equity investment in Europe, fostering large-scale buy-and-build strategies. More than half of veterinary practices in the UK are now owned by six companies, three of which are private equity owned. Big veterinary groups and private equity investors are making strategic acquisitions, with consolidation being a key theme in the mid-market, as smaller players build scale to compete more effectively. Since the ownership rules changed in 1999, when a law barring company ownership of practices was overturned, investors have been quick to cash-in on a booming industry. Spending on services reaching £4.5bn in 2019, up by 57% since 2015.[14]

Medivet, which is owned by CVC Capital and August Equity, has more than 350 practices in the UK and 50 practices in Europe. It aims to reach 800 practices across Europe in the next few years as consolidate in the market continues apace.

Largest veterinary clinics in the UK by revenue



Source. Companies House filings/Annual Reports

IVC Evidensia already has 993 vet practices (just under 20%) and is co-owned by private equity firms EQT and Silver Lake.

14. The Daily Mail, 'The vet giants who are preying on our pets: Calls for inquiry as equity vultures snap up animal treatment practices amid rising bills and welfare fears'. 2021.

Notable M&A activity

Notable UK deals:

- **CVS Group**, UK-based integrated veterinary services provider, made several acquisitions, including:
  - **OCVC**, UK-based veterinary service provider, trading as Old Courts Veterinary Centre, in July 2022, for £3m.
  - **Anton Vets**, UK-based veterinary service provider, in May 2022, for £6m.
  - **Quality Pet Care**, UK-based companion animal veterinary clinics operator, in August 2021, for £20m.
  - **Veterinary Clinic**, UK-based pet healthcare services provider, and **Animal Health Centre**, UK-based animal healthcare facilities company, in February 2021.
  - **Astonlee**, UK-based operator of veterinary hospitals, and **White Lodge Veterinary Centre**, UK-based operator of veterinary clinics and animal hospitals, in November 2020.
- In July 2022, **The Pet Vet**, UK-based veterinary service provider, acquired **Quality Pet Care**, UK-based companion animal veterinary clinics operator, for £9m.
- In September 2021, **CVC** and **August Equity** co-invested and acquired a majority and minority stake respectively in **Medivet**, UK-based veterinary clinics network, for £1bn.
- In May 2021, **Independent Vetcare**, UK-based veterinary practice provider, was acquired by **Mubadala Investment Company PJSC**, UAE-based PE and venture capital firm, for £350m.
- In February 2021, **Independent Vetcare**, UK-based provider of veterinary healthcare services, was acquired by **Nestle Purina PetCare Company**, **EQT Partners AB** and **Silver Lake Partners**, for £3.1bn.
- In December 2020, **Linnaeus Group**, UK-based veterinary service provider, acquired Pets at Home's five specialist referral practices, including **Dick White Referrals**, **Anderson Moore**s, **Northwest Veterinary Specialists**, **Eye Vet** and **Veterinary Specialists Scotland**, for £100m.

Notable international deals:

- In September 2022, **VetCor** and **Harvest Partners LLC** acquired **People Pets and Vets**, a US-based operator of local veterinary clinics, for £957m.
- In August 2022, **TriplePoint Capital** and **White Star Capital** acquired **Petfolk**, US-based general veterinary practice provider, for £34m.
- Also in August 2022, **Modern Animal**, US-based veterinary clinic, was acquired by **Upfront Ventures Management, Founders Fund**, **True Venture Management**, **D1 Capital Partners** and **Addition Ventures**, for £62m.
- In June 2022, **Eurazeo**, PE and investment management firm, acquired a majority stake in **SEVETYS**, France-based veterinary services company. Terms of the deal were undisclosed.
- In April 2022, **AniCura**, Sweden-based operator of animal hospitals and clinics, acquired **Vetsum**, Spain-based owner of veterinary care hospitals, for £87m.
- In February 2022, **AmeriVet Partners Management**, US-based operator of veterinary clinics, was acquired by **AEA Investors**, US-based PE firm, and **Abu Dhabi Investment Authority**, sovereign wealth fund of The Emirate of Abu Dhabi, for £1.2bn.
- In December 2021, **AIDigi Holdings** acquired **Asia Vets Holdings**, Singapore-based veterinary care and clinical service provider, for £103m.
- In October 2021, **Bond Veterinary**, US-based operator of veterinary clinics, was acquired by **Warburg Pincus**, US-based PE firm, for £112m.
- In December 2020, **Modern Animal**, US-based veterinary clinic, was acquired by **Upfront Ventures Management, Founders Fund**, **True Venture Management** and **Addition Ventures LLC,** for £55m.
- In February 2020, **Destination Pet**, US-based total pet health care provider, acquired **Assets of Veterinary Care**, for £36m.
- In December 2019, **SCHF VEG**, US-based veterinary hospitals owner, operating as Veterinary Emergency Group, was acquired by **Fidelity Management & Research Company**, **D1 Capital Partners** and **Durable Capital Partners,** for £79m.
- In November 2022, the US alternative asset manager **Ares Management** acquired an undisclosed stake in **Unavets Healthcare**, a Spanish operator of veterinary clinics, with a reported valuation of £100m.

Pan-European consolidators

Veterinary practices were significantly impacted by lockdown measures, as routine appointments were banned. Only vets and nurses working with farm animals were classified as key workers. A fall in revenue across the industry discouraged investment, slowing the pace of acquisitions and consolidation in the short term. However, COVID-19 reversed this trend within the European veterinary sector, as revenues increased following the previously highlighted trends.

M&A activity has been active, with deal flow driven by a range of factors. This includes strategic deal making by large corporates, more niche acquisitions, alongside financial sponsors from private equity looking to buy into the sector. In the UK, consolidation has been a trend within the veterinary sector, following change in the laws around veterinary ownership in 1999.

Notable European deals:

- Across 2022, European veterinary consolidator, **Independent Vetcare**, a portfolio company of **EQT AB**, made several acquisitions, with the terms of the deals undisclosed. This includes:
  - In August, **Wevet LDA**, Portugal-based provider of veterinary services.
  - In July, **Bekenland Veterinary Center**, Netherlands-based veterinary clinic, and **Clinica Canis**, Spain-based clinic and healthcare centre for pets (primarily cats).
  - In June, **Maher Doona Spillane Unlimited**, Ireland-based provider of veterinary services, **Clinica Veterinaria Utebo**, Spain-based animal hospital, **Clinica Veterinaria San Anton Vigo**, and **Fenix Hospital Veterinario**, Spain-based providers of veterinary services, plus **De Band Dierenkliniek** and **Dierenkliniek Buitenvelder**, Netherlands-based veterinary clinics.
  - In May, **Stockholms Djurklinik**, Sweden-based provider of veterinary services.
  - In April, **Hospital Veterinario Ciudad Real**, Spain-based animal hospital.
  - In March, **Dierenartsen centrumt Derde Oor**, Belgium-based company offering veterinary services, **Consorci Veterinari SL**, Spain-based animal hospital, **Dyrenes Venn,** Norway-based veterinary services company, and **Tierklinik Kalbach**, Germany-based animal hospital.
  - In February, **Clinica Veterinaria Cruz De Piedra**, Spain-based veterinarian, **Clinique Veterinaire Du Vernet**, France-based veterinary clinic, and **Vetminds Invest OU**, Estonia-based operator of veterinary clinics.
  - In January, **Clinica Mediterraneo**, Spain-based veterinary clinic, plus **Clinique Veterinaire M'vet**, **Pole Sante Chanturgue Clinique Veterinaire**, and **Clinique Veterinaire Du Saint-Quentin**, France-based veterinary clinics.
- In November 2021, **Bluvet**, Italy-based operator of veterinary clinics and hospitals, was acquired by PE firms **Neuberger Berman AIFM, NB Aurora S.A. SICAF-RAIF** and **F&P4BIZ,** for £7m.

UK pet ownership is anticipated to increase over the next

five years,

enhancing demand for industry services.

Looking ahead

Moving forward, industry growth is projected to accelerate, with market size forecasted to increase across 2022–2027. UK pet ownership is anticipated to increase over the next five years, enhancing demand for industry services. Additionally, advances in medical, surgical and diagnostic procedures, along with the growing availability of new drugs, are expected to increase services that vets can provide, further contributing to market growth.

Sector consolidation is expected to continue, as rising cost pressures for veterinary practices (such as salaries and equipment), are tempting independent owners to sell to larger private equity backed strategics. It is thought there will be increased regulatory scrutiny of mergers by the Competition and Markets Authority (CMA), given how concentrated the market has become. Considering the current valuations and dynamism of the sector, the market is ripe for further consolidation, which may result in a different pet care market emerging soon.

The market is ripe for further merger and acquisition activity, which may result in a different pet care market emerging soon.

**deal completed by Partner at previous firm*

Our team

With offices in Europe, the US and Asia, our healthcare team can deliver seamless, integrated global advice to mid-market/owner-managed, corporate and private equity clients. They are supported by a number of high-profile senior advisers who are all former top tier executives, with relevant knowledge and a far-reaching network of contacts.

David Weavers
Partner, UK

t: +44 845 052 0358
e: david.weavers@cwicf.com

Ramesh Jassal
International Head of Healthcare, UK

t: +44 845 052 0374
e: ramesh.jassal@cwicf.com

Franc Kaiser
Partner, China

t: + 86 21 6341 0699 x 850
e: franc.kaiser@cwicf.com

Markus Otto
Partner, Germany

t: +49 69 58302 77 24
e: markus.otto@cwicf.com

John Curtin
Partner, Ireland

t: +353 1 912 1724
e: john.curtin@cwicf.com

Rui Miranda
Partner, Portugal

t: +351 918 766 799
e: rui.miranda@cwicf.com

Nicolas Saint-Pierre
Managing Partner, France

t: +33 153 890 509
e: nicolas.saint-pierre@cwicf.com

Jesper Agerholm
Partner, Denmark

t: +45 29 92 91 06
e: jesper.agerholm@cwicf.com

Miguel Ángel Lorenzo
Partner, Spain

t: +34 659 094 041
e: miguelangel.lorenzo@cwicf.com

Niccolò Querci
Managing Partner, Italy

t: +39 02 84 24 93 70
e: niccolo.querci@cwicf.com

clearwaterinternational.com

China - Denmark - France - Germany - Ireland - Italy - Portugal - Spain - Sweden - UK - US