



## CORPORATE FINANCE

# JULY INSIGHTS PAPER: TEACHING AN OLD DOG NEW TRICKS

Exploring the transformation of the  
Veterinary Services industry



## Market overview



Pet ownership is at an all time high as a result of the COVID pandemic and increased time spent at home. This has driven a surge in demand for veterinary services with customers willing to pay more for premium and specialised care for their pets



In-home diagnostic tools and tests allow vets to remotely monitor pets' health, decreasing the need for frequent in-clinic visits and facilitating more efficient and proactive care



Veterinary practices are facing challenges in meeting the surge in demand, hindered by a shortage of labour and ongoing government regulatory review aimed at maintaining the independence of veterinary practices



AI is empowering clinics to conduct rapid diagnostic tests in-house, reducing their dependence on external pathologists and lab-testing. It is also taking over administrative tasks, freeing up staff to focus on more complex and high-value tasks



Tech-enablement, telemedicine, and at-home diagnostics are bridging the supply gap by increasing efficiency, enabling clinics to deliver care more frequently than traditional in-clinic appointments permit



The need for greater efficiency and technology investment is driving continued consolidation. Companies with integrated platforms and technology enablement are set to continue to attract interest from potential investors

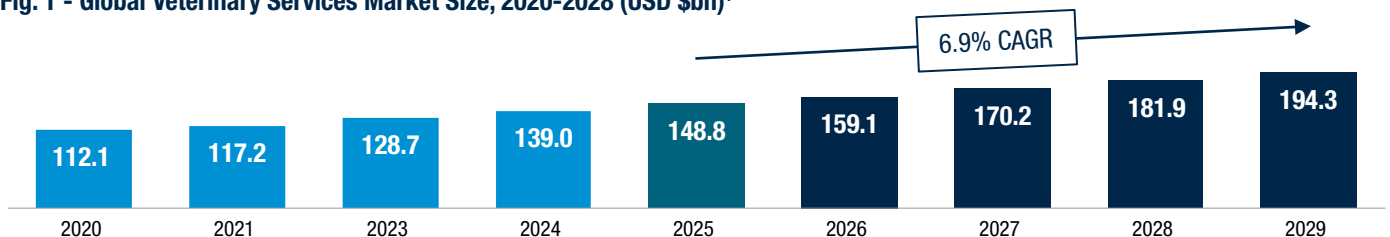
## Global Veterinary Services market is expected to remain resilient



The global Veterinary Services market is estimated to be worth c.\$148.8 billion in 2024 and is expected to grow at a CAGR of 6.9% to reach c.\$194.3 billion by 2028<sup>1</sup>. The forecast market growth is expected to be driven by increased pet ownership, a rise in remote working leading to higher expenditure on pet products, greater awareness of animal health and consumers increasingly viewing pets as family members, thus making them more price inelastic.

The growing popularity of pet insurance continues to boost demand for veterinary services. Technological advancements in human healthcare are also expected to benefit veterinary services, thereby supporting further innovation for animal healthcare. Artificial Intelligence (AI) and telemedicine are revolutionising diagnostics and treatment in veterinary medicine by enhancing care quality, improving workflow productivity, and advancing communication with pet owners.

Fig. 1 - Global Veterinary Services Market Size, 2020-2028 (USD \$bn)<sup>1</sup>



Source: <sup>1</sup>The BRC – Global Veterinary Services Market Report 2024



## A challenging time for the UK Veterinary Services market with the more developed US Veterinary Services market setting trends for the global market to follow



The UK market is projected to grow at a CAGR of 4.1%, increasing from c.£6.1 billion in 2024 to £7.5 billion in 2029<sup>2</sup>, growing at a lower rate than the global market due to the current Competition and Markets Authority (CMA) focus disrupting the UK veterinary space. The CMA has raised concerns about a lack of competition, suggesting that the UK's vet industry might be exhibiting strong price control. Large companies own 60% of existing practices and the CMA has highlighted difficulties for pet owners in accessing price information. The ongoing CMA investigation, due to conclude by November 2025 at the latest is currently limiting market opportunities. Recent unfavourable general economic conditions in the UK have discouraged pet owners from spending excessively on pet care; however, with inflation starting to fall and the economy moving towards recovery, this is expected to improve in the coming months.

In the US, increasing popularity of pet insurance is expected to make the out-of-pocket costs of expensive surgeries more affordable for pet owners, thereby bolstering revenue for veterinarians. Factors such as increasing acceptance of telemedicine regulations, technological advancements, and industry consolidation to leverage economies of scale are expected to further contribute to the US market growth. It is anticipated that the same trends will trail in the global market going forward.

Looking at the global Veterinary Services market as a whole, robust growth has been driven by several key trends:

### 1. Growing levels of pet ownership has fuelled veterinary care demand

Pet ownership has been steadily rising, mainly driven by young adults buying more pets or their first pet. Covid-19 lockdowns saw many families adopt a pet as a source of companionship. The US and UK pet population has seen significant increases with 70% and 60% of the households owning a pet, respectively. Europe's pet population also climbed by 11% in 2022<sup>2</sup> with nearly half of all European households having at least one pet.

### 2. Increased spending for better pet care

More people working from home and spending additional time at home has raised expenditure on pet products. Consumers have also become more price-resilient as pets are seen as part of the family and their care is considered a necessary expense. Greater adoption of pet insurance and pet owners' increased willingness to spend more money to extend their pets' lifespan has further reinforced spending on veterinary services.

### 3. Technological advancements in human healthcare are entering veterinary space

The veterinary services market is progressively incorporating technological advancements that were previously exclusive to human healthcare, using innovative technologies and advanced medical procedures to meet animals' healthcare needs. Technologies such as MRI technology, ultrasound, 3D printing and X-ray machines have already migrated into veterinary medicine. Similarly, wearable devices and at home tests are increasingly being used to monitor vital statistics in animals. The average lifespan of many animals has been extended due to advancements in complex surgical and diagnostic services. An increasing number of veterinarians are integrating AI tools to transform their practices, mainly for diagnostic imaging of radiographs and medical record management. Big data technology, which enables vets to identify the diseases affecting both large animals and pets in various locations and regions is also gaining traction to provide more effective treatment. Advances in diagnostic technology such as portable X-ray and ultrasound scanners have improved the efficiency of veterinary treatment for all types of animal practices. Furthermore, the rise of telemedicine platforms has allowed pet owners to consult with vets remotely, access medical advice and receive prescriptions from their home. Busy lifestyles and consumer preferences for personalised services continues to bolster the demand for telemedicine services.

### 4. Rising pet insurance rates is incentivising visits to veterinarians

The increase in veterinary costs has led more pet owners to purchase insurance, reducing out-of-pocket expenses for high-cost treatments. According to the latest North American Pet Health Insurance Association report, c.6.3 million pets had insurance in North America in 2023, 16.7% annual growth from 2022<sup>3</sup>. Globally, the pet insurance market remains largely untapped with extremely low penetration rates offering a huge market opportunity. As the market grows, new insurers are set to enter the industry, offering a digital end-to-end service and cheaper policies, thereby intensifying price competition.

**Sources:** <sup>2</sup>IBISWorld – Veterinary Services Market Report 2024

<sup>3</sup>North American Pet Health Insurance Association Market Report 2024



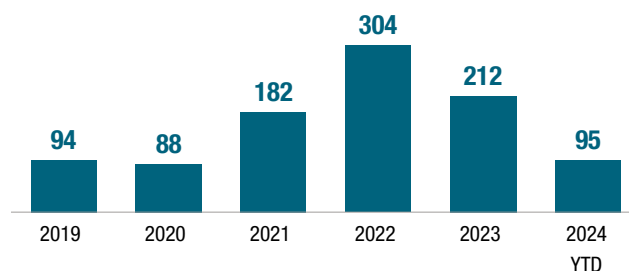
Increasing levels of pet ownership, greater demand for specialist pet health services and a previously fragmented industry have led to several consolidators emerging in the veterinary services space. The veterinary services market landscape encompasses both veterinary practices such as the “big six” – see table on the right, as well as specialised diagnostics providers such as pet healthcare innovator IDEXX Laboratories<sup>4</sup> and global animal health company Zoetis<sup>5</sup>.

Major players have actively sought opportunities to roll-up local independent providers, capitalising on significant economies of scale through development of a national platform. These consolidators leverage synergistic benefits by centralising operations and establishing a presence on high streets throughout the UK and Europe. As illustrated by Figure 2, the last five years have seen a record number of M&A transactions undertaken within the space.

The case for M&A is clear in an industry where the bigger players have a very conspicuous advantage. Larger providers have the benefit of centralised operations across administration, finance, marketing and legal whilst enjoying significantly higher patient volumes relative to local, independent practices which are, more often than not, unable to compete and are therefore priced out of the market. A recent initial inquiry launched by the CMA revealed that almost a third of independent vet practices in the UK have been acquired by the big six providers since 2013<sup>6</sup>. However, there remains substantial potential for further consolidation, as over half of the market share is still held by other providers.

IVC Evidensia, formed in 2017 from the merger of Independent Vetcare Limited and Evidensia, is one of the largest providers of veterinary services across the US and Europe. Owned by EQT Partners, IVC Evidensia has been on an acquisition spree since its formation, acquiring more than 20 providers in the first half of 2024 alone<sup>7</sup>. Last October, EQT also announced its agreement to acquire IVC-rival VetPartners for approximately \$1.4bn, gaining over 1,300 veterinarians and more than 3,000 nurses and support staff.

**Fig. 2 – Global Vet Services deal volume (2019 – 2024YTD)<sup>7</sup>**



**Table 1 – The “big six” UK consolidators of vet practices**

Provider	Approx. Turnover <sup>8</sup>	Ownership
IVC Evidensia	£3.2bn	EQT Partners
Pets at Home	£1.5bn	Listed
Linnaeus	£1.1bn*	Mars
vetPartners	£723m	BC Partners
CVS Group	£608m	Listed
Medivet	£346m	CVC Capital

\*Turnover shown of Mars Pet Services UK Limited

The industry continues to attract significant attention from Private Equity, as demonstrated by EQT’s sizable transaction announced last year. In addition, earlier this year Inflexion invested in Village Vets, one of Ireland’s largest independent veterinary services providers. Inflexion, relatively familiar with the industry through its minority investment in Medivet in 2016, provided funding to support Village Vets’ expansion of four existing sites plus the building of a new outlet in Ashbourne.

In an oligopolistic market that is facing greater regulatory scrutiny on the back of rapid consolidation driven by larger corporates, there lies an opportunity for mid-market financial investors seeking platform assets to embark on a buy-and-build strategy. This was demonstrated by mid-market investor Perwyn’s acquisition of four clinics from IVC Evidensia, which was seen by many as a means for IVC to divest non-core assets following a review by the CMA. The clinics were rebranded as Kin Vet Community and marks Perwyn’s first venture in the veterinary services space.

## A shift in focus from end-user practices, to high-tech service offerings



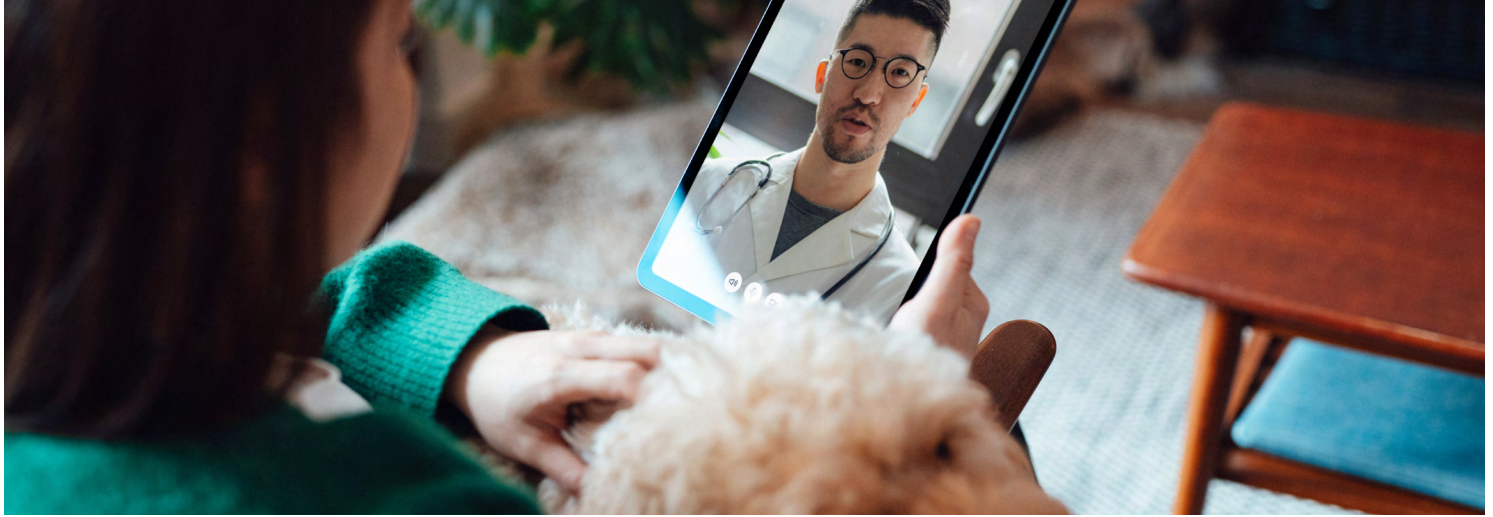
Acquisitions within the highly specialised, relatively nascent, tech-enabled Veterinary Services vertical has gained increasing traction over the past few years as the key players seek to diversify and expand their offering across the value chain – exploring exciting high growth opportunities in tech-driven services in both the core service market and the ever-expanding diagnostics offering.

In 2020, UK-based Pets at Home Group announced its acquisition of local tele-health provider The Vet Connection, for a total cash consideration of £15m. The acquisition demonstrates the shift in focus by the big providers towards newer, more flexible approaches in providing veterinary care, driving efficiencies and moving away from bricks-and-mortar establishments.

**Sources:** <sup>4</sup>[www.idexx.co.uk](http://www.idexx.co.uk) <sup>5</sup>[www.zoetis.com](http://www.zoetis.com) <sup>6</sup>CMA

<sup>7</sup>MergerMarket <sup>8</sup>Public accounts/S&P CapitalIQ





In more recent developments, last year saw pet tele-health platform Airvet close an \$18.2m funding round to accelerate growth through expanding partnerships, product development and scaling its sales and marketing team<sup>9</sup>. The investment comes amidst a growing demand for veterinary services as the industry faces a shortage of qualified professionals.

Alongside the recent surge of investment in telehealth services, providers are also seeking opportunities to enhance back-office operations of incumbent vet practices, utilising advanced

analytics and cloud-management software to drive greater operational efficiencies and deliver more valuable insights into companion animal health. In 2021, IDEXX Laboratories announced its acquisition of ezyVet, a provider of practice information management systems. The cloud-based platform provider offers veterinary clinics and hospitals streamlined communication with patients, improving standard of care.

## Selected Precedent Transactions<sup>9</sup>



Date	Target	Acquiror	Deal rationale
2024	VetPD	Altano Gruppe	Addition of high-quality interactive online learning materials and enhanced inhouse offerings with premium, hands-on training sessions for veterinarians.
2024	Kin Vet Community	Perwyn Capital	Acquisition of a platform asset with established operations in order to enter the lucrative UK vet services market.
2023	Vetpartners	EQT Partners	Entry into the Australia / New Zealand market through acquiring a network of 267 clinics and hospitals.
2023	Medivet Group	CVC / August / LGT	Additional funding will allow Medivet to pursue its strategy focused on driving organic/inorganic growth in the coming years.
2023	Airvet Inc	Multiple Investors	Expand further into other pet health verticals and continue to forge partnerships with major players in the pet space.
2022	Sevetys	Eurazeo	Opportunity to support Sevetys in its next phase of growth and become market leader within the French market.
2020	The Vet Connection	Pets at Home	Opportunity for Pets at Home to expand digital capabilities and service offering through the acquisition of a veterinary telehealth firm.

**Sources:** <sup>9</sup>S&P CapitalQ

Contact A&M for a broader discussion and more detailed analysis on valuation.



## A shortage of high-quality assets, driving premium valuations for M&A opportunities



Acquisition activity within the veterinary services industry has remained largely unaffected by the recent global macroeconomic shocks experienced by developed economies over the past few years, as the boom in pet ownership has meant that consumer spending within this industry has become almost non-discretionary in nature.

The sheer volume of M&A transactions that have been undertaken in recent times has reduced the supply of established, cash-generating veterinary service clinics and wider service providers. In tandem with the high forecasted growth, this has resulted in strong premiums attached to incumbent businesses as strategic consolidators and financial investors compete to maintain market share.

As illustrated above, there have been a number of high profile transactions within the sector, both across veterinary practices

as well as growing activity within the diagnostics and telehealth markets. A dearth of opportunities has meant that investors are completing on transactions in record timeframe. According to a recent article posted by the Financial Review, EQT's \$1.4bn proposed acquisition of VetPartners was based on approximately \$131m earnings, giving a multiple of c. 10.7x – roughly 20% higher than the next best bid<sup>10</sup>. Prospective bidders were provided with less than a month to submit an offer, factoring in an accelerated due diligence timetable.

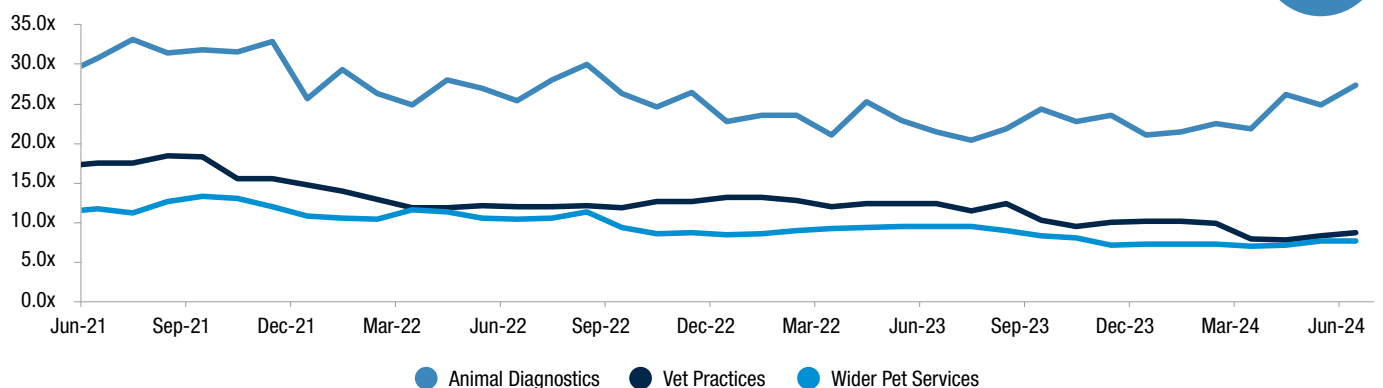
Analysis of public companies (available on the next page) shows that, in addition to scarcity of assets, the nature of services provided has an impact on valuation. As shown below, listed Vet Service providers are currently trading at strong multiples, relatively higher than equivalent healthcare services businesses, demonstrating the strong valuations present within the sector.

## Selected Public Comparables (as at 12 July 2024)<sup>9</sup>



Company	Market Cap (£bn)	Enterprise Value (£bn)	Implied EV/EBITDA multiple
IDEXX Laboratories	31.8	32.4	33.2x
Zoetis	62.6	66.4	23.5x
Pets at Home Group	1.4	1.7	10.7x
PetIQ	0.5	0.9	11.3x
CVS Group	0.7	1.0	10.0x

## Historical EV/ EBITDA multiples<sup>9</sup>



Source: <sup>9</sup>S&P CapitalIQ <sup>10</sup>Australian Financial Review

Contact A&M for a broader discussion and more detailed analysis on valuation.





## With regulatory bodies focusing on market consolidation, numerous opportunities are emerging in this still highly fragmented market



The Veterinary Services market landscape has changed considerably over the past decade, driven by the growth in pet ownership and greater focus on pet wellness. Industry aggregators have driven significant consolidation within the sector, taking advantage of the large economies of scale on offer in acquiring local clinics and integrating them into centralised back-office operations.

The industry has also leveraged advancements in technology innovation carried over from healthcare for humans. The veterinary diagnostics industry, which already plays a vital role in the agricultural market, has grown to offer more bespoke diagnostic services and treatments for companion animals. There are also exciting initiatives in the realm of big data analysis and artificial intelligence, providing more effective treatment for pets and livestock.

Other initiatives within this space include the trend towards an outsourced service model, replicating the trends found in the broader pathology and laboratory testing industry, an example being IDEXX who have implemented digital infrastructure to create a tech-enabled platform for pathologists, improving animal diagnostics.

While growth drivers remain strong globally, the industry faces uncertainty in the UK market as the CMA continues to scrutinise acquisition activity. In France, the Ordre National des Vétérinaires (ONV) is also resisting the entry of large foreign companies into the domestic market to ensure rules of the profession and independence of veterinarians remain intact.

Veterinary services companies with strong management teams, integrated platforms, technology enablement, and a broad ecosystem of operations expanding the addressable market will continue to attract interest from both corporates and financial investors. We expect deal volumes to continue to rise as growth in the veterinary services end market drives dealmaking in 2024 and beyond.

## How can A&M help you



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- Integrated full-service solutions
- Senior-led, dedicated specialist team
- Hands-on approach to value creation
- Strong operational heritage
- Free from audit-based conflicts

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1. *The BRC – Global Veterinary Services Market Report 2024*
2. *IBISWorld – Veterinary Services Market Report 2024*
3. *IBISWorld – Pet Insurance Market Report 2024*

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