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Veterinary Association

Chief Veterinary Officer Simply
Health Professionals.

Corporate Veterinary Practice *What does it mean for the profession?*

Stuff to talk about

What is a corporation?

How and

good

Things where next

Health Warning – Fast flowing business environment. Some information may be out of date

What is a corporate

Corporate - non veterinary owned?

But what about the large veterinary owned businesses that are incorporated?

External investment?

UK Veterinary Market



Medivet THE Vets

- 250 small animal practices
- Veterinary owned partnership model
- Recent minority investment from a private equity fund

vetPartners

- 250 surgeries
- Private equity owned
- Established in 2015
- Companion, equine and farm practices



- Shareholder owned. Floated in 2007
- 457 Surgeries in the UK and Netherlands
- Small animal and equine practices
- 4 Diagnostics laboratories
- 7 Crematoria
- 1 On-line dispensary



- Established in 2011
- Merged with Evidensia in 2017
- Private equity owned
- Over 500 practices in UK and Northern Europe
- Small, equine and farm animal practices



- Founded in 2014
- Sold to Mars Petcare
June 2018
- 82 practices
- 370 vets
- Small animal practices



- Food production practices
- Private equity owned
- Significant penetration of the food
production sector



- Shareholder owned
- 449 small animal practices in store and
standalone
- Joint venture partnership model



Welcome to XLVets

By working together we can achieve so much more



XL Vets Pets



XL Vets Farm



XL Vets Equine



Students



Working together



Join our community

Network alliances

Buying Groups



How and why does it happen

- The right regulatory framework: The 1997 moment...
- Money



Money

- Dot.com bubble - spending on pets went up
- Recession – no decline in pet spend
- Veterinary services market in the UK posted consistent growth over 2011–2015
- An IBISWorld report (April 2016) estimates the veterinary services market in the UK to register a compound annual growth rate of ~4% over 2016–2021
- Attractive to investors

Money- what the investors say

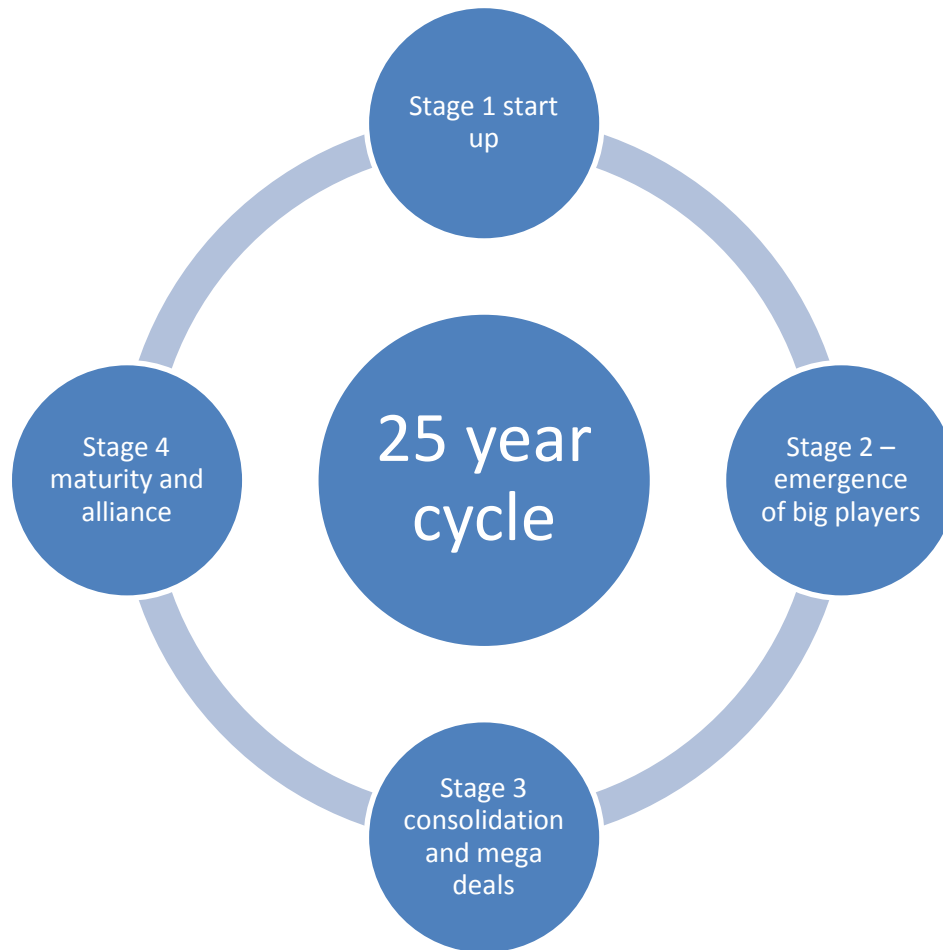
“From an investor’s standpoint, veterinary businesses are rare and predominantly hidden gems”

“One important characteristic is the industry’s relative insulation to financial crises”

“Any asset that continues to perform whilst other parts of the investment spectrum fall is THE prized asset”

Head of Investments for Investec’s Private Office

Stages of corporatisation



Harvard Business review, *The Consolidation Curve* , December 2002

Four stages of Corporatisation

Stage 1: Opening. Single start-ups, combined market share between 30% and 10%. Companies in stage 1 aggressively defend their position by building scale and establishing barriers to entry by protecting technology or ideas.

Stage 2: Scale. Major players begin to emerge, buying up competitors. The top three players own 15% to 45% of market, as the industry consolidates rapidly. Because of the large number of acquisitions occurring in this stage, companies must hone their merger-integration skills.

U.K

Stage 3: Focus. After the consolidation of stage 2, stage 3 companies focus on expanding their core business and continuing to aggressively outgrow the competition. Top three industry players now control between 35% and 70% of the market. Period of 'megadeals' and large-scale consolidation plays. Companies need to focus on core capabilities and profitability, and will either attack underperforming competitors or acquire them.

Stage 4: Balance and Alliance. Giants of industry reign, industry concentration rate plateaus as the top three companies claim as much as 70% to 90% of the market. Large companies may form alliances with their peers because growth is now more challenging. They must find new ways to grow their core business in a mature industry and create a new wave of growth by spinning off new businesses into industries in early stages of consolidation.

What difference does it make



Corporatisation - practices

2002 – 3% of
practices in the UK

June 2018 – 42%

? 70-80% corporate
within the next 5-10
years



Corporatisation - people

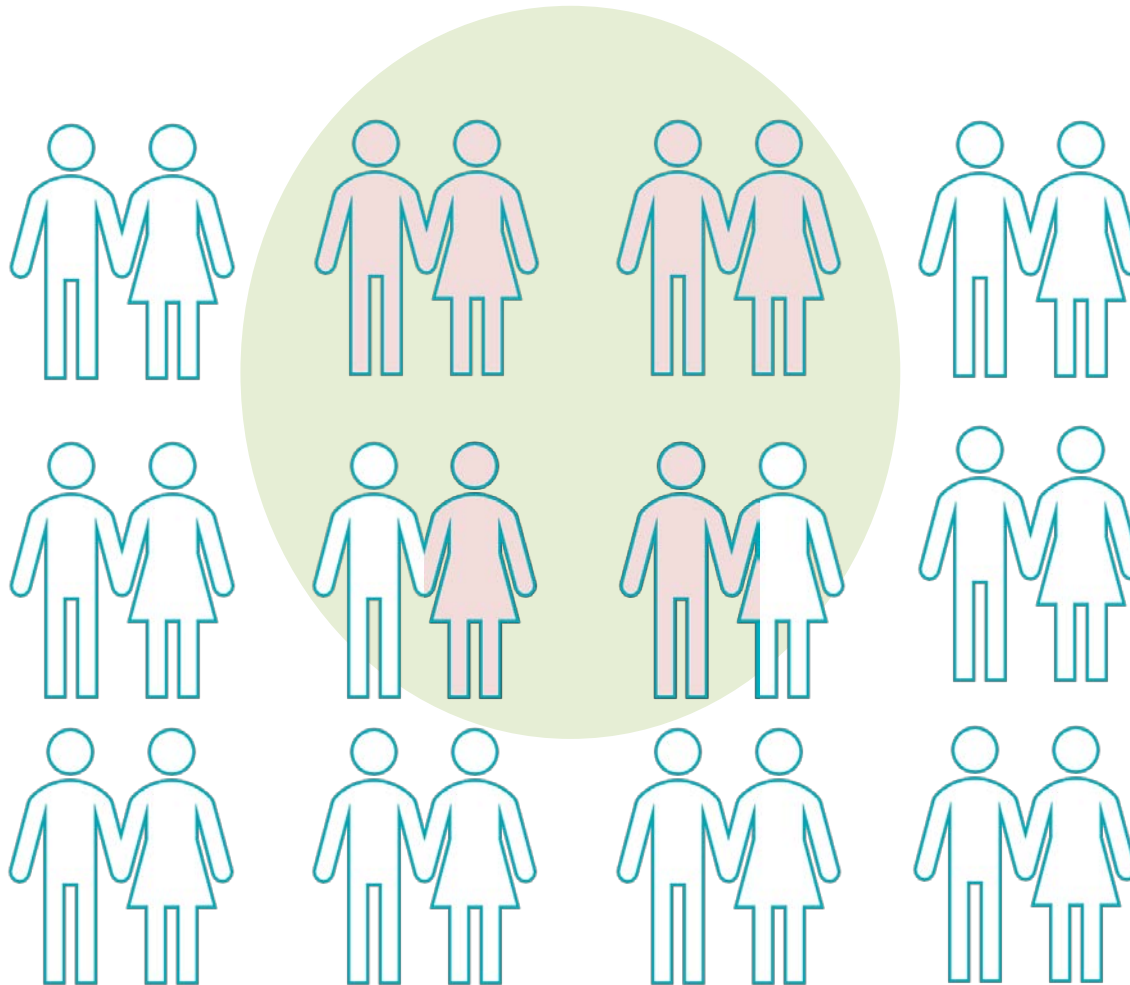
Numbers of employed vets	2015	2018	2015-18 growth rate
Pets at Home	338	1,352	300%
CVS	276	1,363	394%
IVC	160	1,200	650%
Medivet	108	688	537%
Total	882	4,603	422%



23K practicing vets

29% work in a corporate

**Corporate
vets**
Approx.
6,665

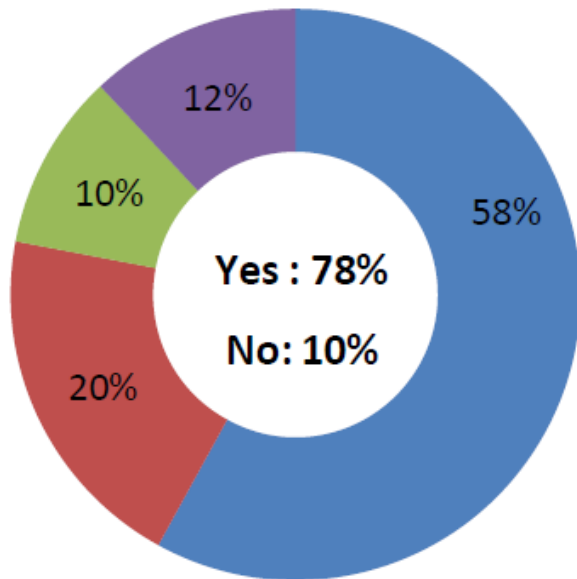


Employee benefits and wages

- Stagnant wages – although increases happening
- Terms and conditions of work similar – although changing

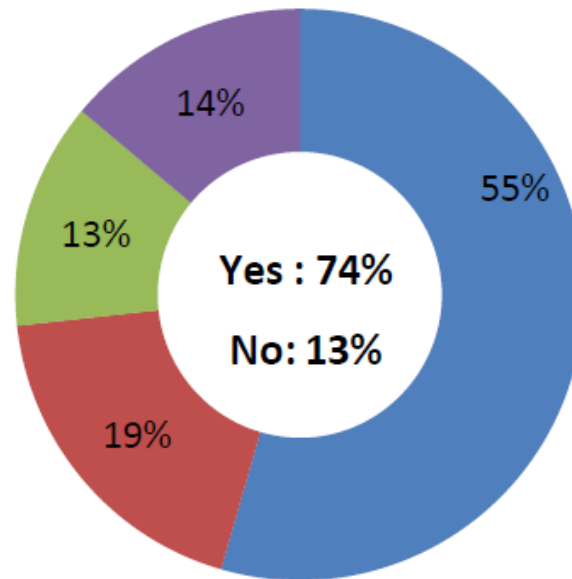
Do you think you will still be in the profession in 5 years?

Spring 2014



Base = All Q2 respondents (1087)

Spring 2015



Base = All Q2 respondents (689)

- Yes - similar role
- Yes - different role
- No
- Don't Know

BVA Voice survey, Spring 2015

“Terrible” or “not very good”:



Job-related stress

54%



Work/life balance

40%



HR support

26%



Pay and benefits

25%

Source: BVA
Voice survey,
Autumn 2015

More profitable

Corporate veterinary groups in the UK typically register higher average profit margins (~18%) than independent veterinary practices (~11%)

The Good



The IVC Opportunity

There are lots of reasons to take your first step with IVC. Here are just a few:



Structured Support

Support by a clinical coach in practice, a self-selected personal mentor, regular CPD events with programmed year group and much more.



We Offer Great Rewards

We care about attracting the right talent. So we offer all our new graduates a £5,000 golden hello, paid in two parts over the first 12 months.



Opportunities across the UK

With over 600 practices, there are graduate opportunities in practices all across the UK.



We set the gold standard

We're committed to being the UK's number one choice of vet graduates, enabling you to become the best you can be.



An industry leading CPD programme

You'll spend at least 12 days a year taking part in off-site training including wet lab sessions, seminars, annual congress attendance, plus and online resource membership.



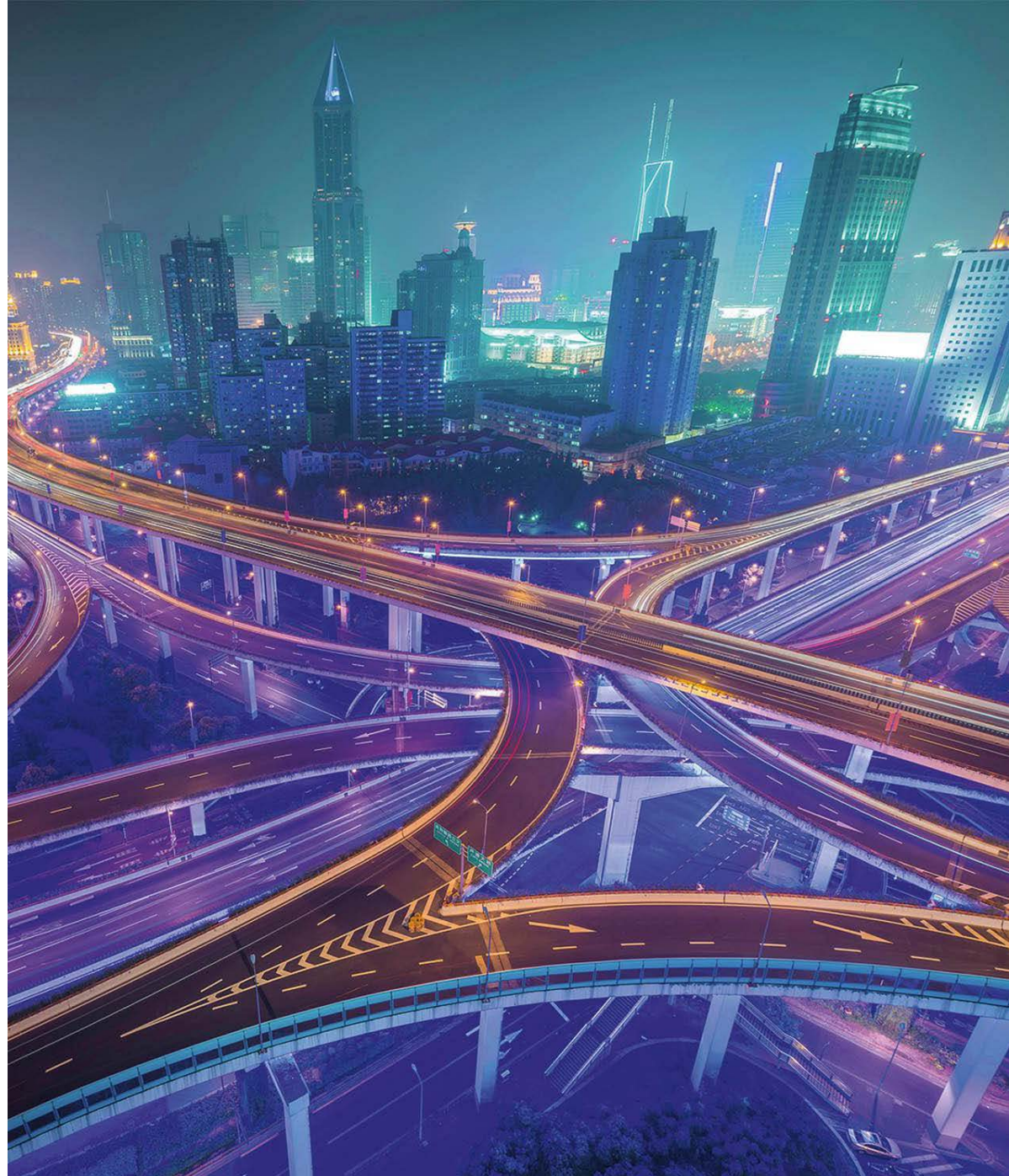
Career development

We continue to encourage and help facilitate further development of skills and special interests once the initial two year programme is completed.

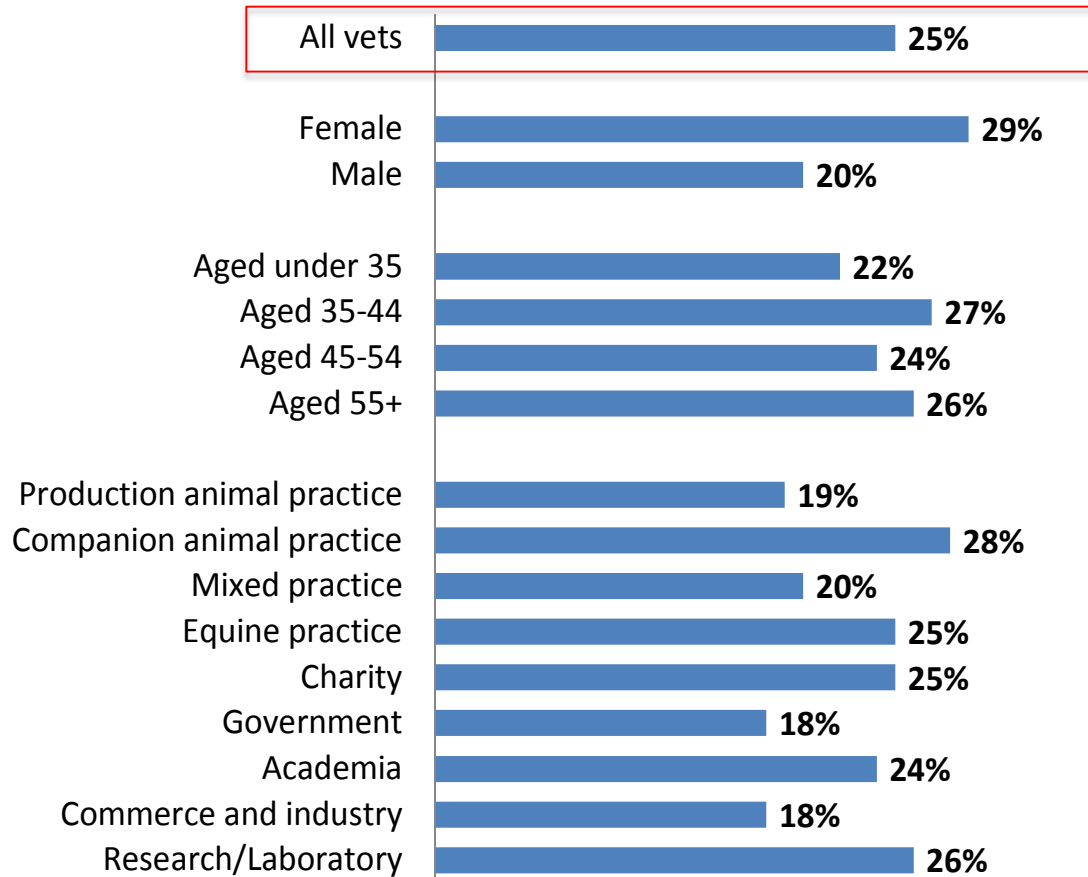


Infrastructure

- Defined business departments
- Specific personnel capabilities



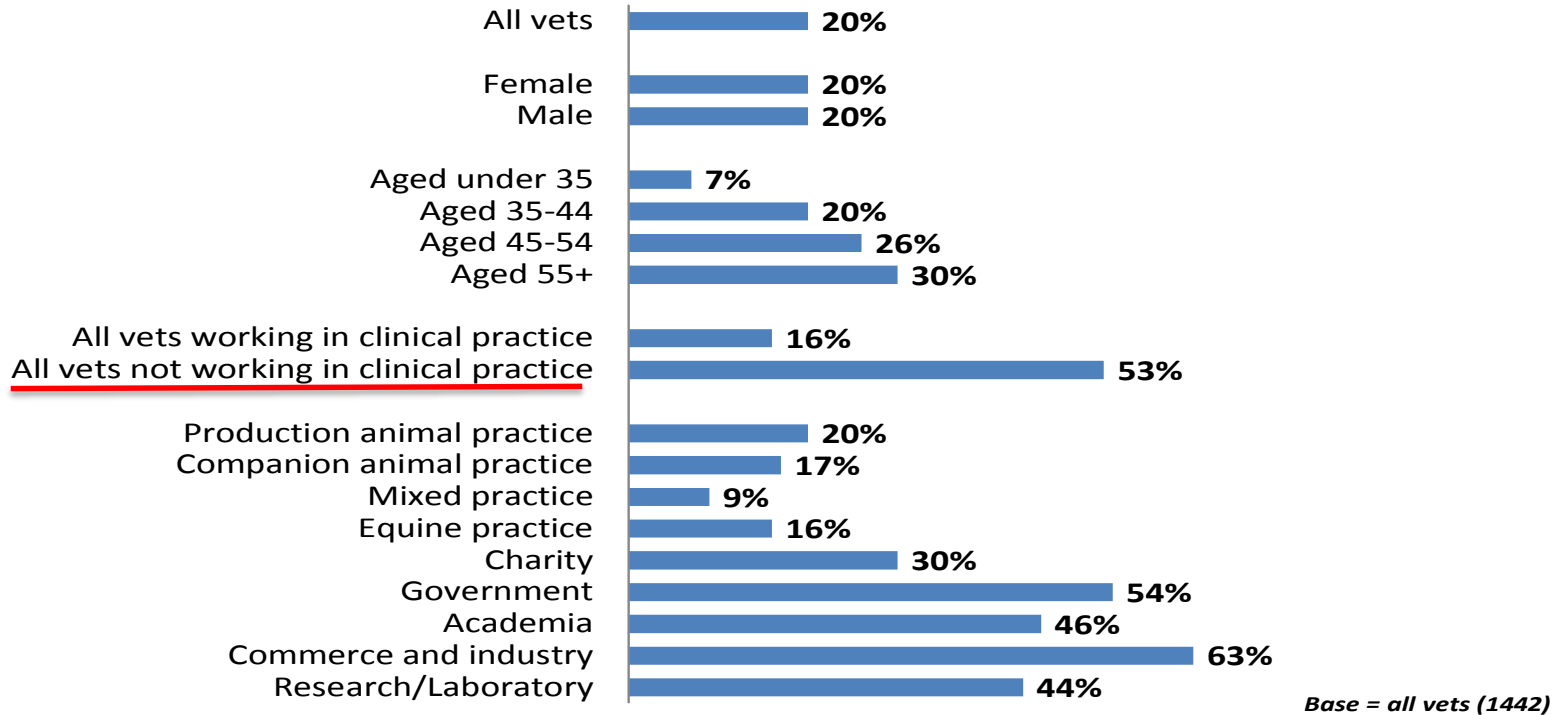
Percentage of full time working vets who would prefer to work part time



Base = all vets (1450)

How flexible are we?

**Percentage of vets who currently work flexible hours on a regular basis
(including flexi-time arrangements and informal flexible working)**



Biggest growth in part-time work is amongst men

	2014		2010		2006	
	Men	Women	Men	Women	Men	Women
Full time work	67.8	64.5	66.5	62	70	64
Part time work	11.2	26	5.5	26	5	25
Voluntary work	1.2	1.2	0.5	0.3		
Unemployed	1.1	1.9	1	2	0.5	1
Career break	0.7	4	0.5	5	0.5	5
Retired	18	2.4	26.5	5	23	5



Source: RCVS Survey of the Profession 2014

Recent grads meeting: “disillusionment”

“Lack of career development”

“Insufficient pay”

“Lack of management
and support from bosses”

News & Reports

VET FUTURES Disillusionment among young vets: causes and potential solutions

Young veterinary graduates met at the House of Lords last month to discuss the causes of disillusionment being reported by those in the early years of their careers, and to propose solutions. The meeting captured the views of veterinarians working in both clinical and non-clinical roles, including graduates working outside the veterinary sector. Anthony Ridge, parliamentary intern to Lord Trees, reports

LAST year, the BVA's Voice of the Veterinary Profession survey reported that 41 per cent of graduates said that their careers had failed to match their expectations. It found that more than half of graduates from the past eight years were seeking a change in work, with a growing proportion considering careers outside of clinical practice.

The meeting at the House of Lords on September 14 was hosted by veterinary peer Lord Trees, and organised in conjunction with the RCVS and the BVA. It was designed to explore the possible causes of this feeling of disillusionment among young graduates four to six years after qualification and brought together 40 clinical and non-clinical veterinarians, as well as veterinary graduates working outside the veterinary sector. Clinical



Lord Trees (above) hosted the young vets' meeting in the Palace of Westminster. Delegates also enjoyed a tour of the House of Lords and drinks on the terrace overlooking the River Thames



Career Opportunities

- Graduate training schemes
- Defined career ladder
- Non clinical roles



Data

Banfield in 2016:

- 2.5 Million dogs
- 505 000 cats



BANFIELD RESEARCH

Research Driving Better Pet Health

As part of our commitment to advancing pet health care, we created a patented pet medical records software, PetWare®. This system collects data from every pet cared for in our hospitals. Banfield's research team aggregates and analyzes data and shares findings, so everyone can stay on top of pet health care trends and needs.



PetWare Data

We expanded PetWare® with record-sharing capabilities and proprietary technology in 1994, and received patents in 2000.



Analysis

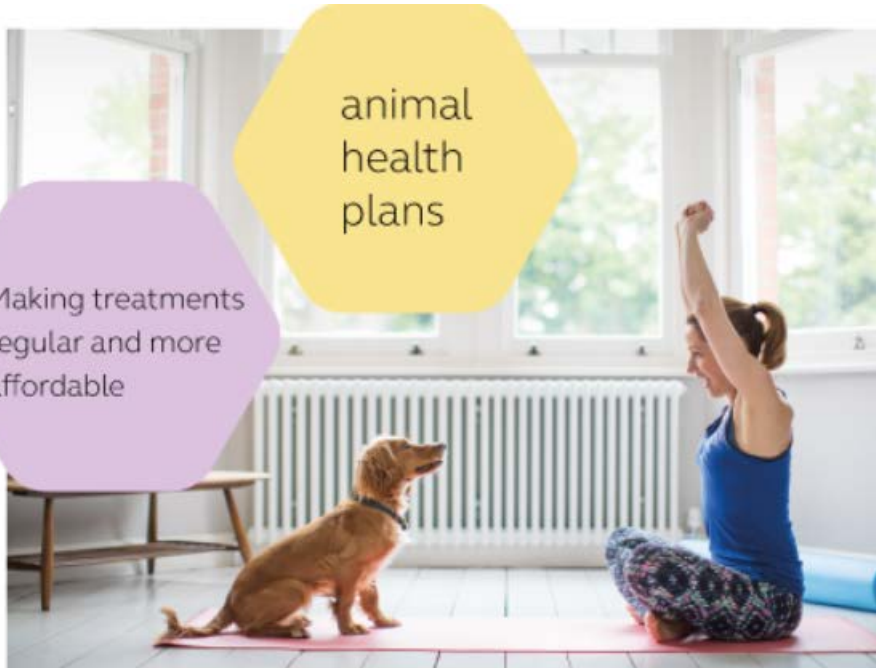
Banfield's research team gathers and analyzes data year-round to monitor trends in pet health and disease.



Reporting & Publishing

After analyzing the data, we publish our findings in professional journals and reports like State of Pet Health.

Makes things happen



animal health plans

Making treatments regular and more affordable



**GRADS
TO
VETS**

Welcome to XLVets

By working together we can achieve so much more



A genuinely independent buying group for independent practices.

FIVP
Federation of Independent Veterinary Practices

vetsure

Click to find out more >

The money

Practices selling for 9-10 times EBITDA and more

Mars buying VCA for estimated 17% EBITDA

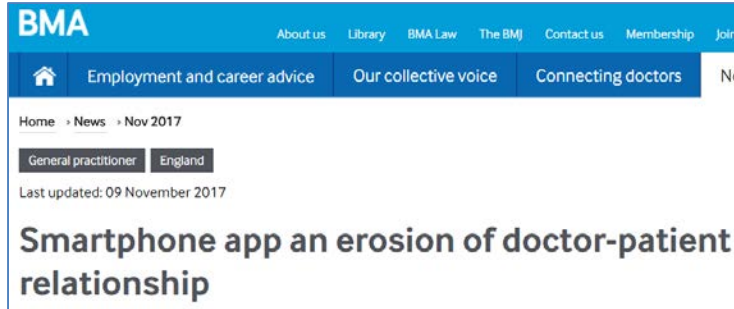


The not so good?

- Could profit outweigh the focus on animal care
- Vets may feel that they have less power in a corporate environment to change things
- Service provided by corporations may seem less personal
- Profession is no longer in the hands of a clinician
- Removes equity from the profession when well-established practices are sold to corporates
- Royal College of Veterinary Surgeons can not regulate companies – only vets
- Managing cultures of large groups can be difficult

The where next

....petfood and related products sell particularly well online and in cities.... the pet business is benefiting from big trends toward online shopping and urbanisation.



The screenshot shows the BMA website header with navigation links: About us, Library, BMA Law, The BMJ, Contact us, Membership, and Join. Below the header, there are menu items: Home, Employment and career advice, Our collective voice, and Connecting doctors. The main content area shows a breadcrumb trail: Home > News > Nov 2017. There are filters for 'General practitioner' and 'England'. The article title is 'Smartphone app an erosion of doctor-patient relationship' and it is dated 'Last updated: 09 November 2017'.

Will Artificial Intelligence be a source of opportunities for veterinary medicine? Blog post ViVet

The pipeline of acquisitions remains strong and CVS expects to continue to complete acquisitions in the UK and the Netherlands throughout this year and beyond. CVS interim report Dec 2017

“Our Vet Group continues to go from strength to strength.....In the year ahead we will increase the number of practices with extended opening hours, invest further in marketing to increase brand awareness and customer care plan participation. And we continue to explore opportunities in the market that will deliver growth to our first opinion and referral businesses...”

Chief Executive Statement Pets At Home Annual Report and Accounts 2017



Vet care in the comfort of your home

Change – but what will it look like

- Who will regulate it
- Who will benefit
- Who will shape the journey
- Who will own it
- Who will work in it



| A strong
voice for vets