Corporate Veterinary Practice

What does it mean for the profession?

Gudrun Ravetz
Senior Vice President British Veterinary Association
Chief Veterinary Officer Simply Health Professionals.
What is a corporate

How and why does it happen

What difference does it make

The good

The not so good

The where next

Stuff to talk about

Health

Warning – Fast flowing

business environment may be out of date

God
What is a corporate

Corporate - non veterinary owned?

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

External investment?
UK Veterinary Market

- 5536 Practices
- Joint Venture Partnerships
- Small veterinary owned practices
- Not veterinary owned
- Large/consolidated multi-site veterinary owned practices
- Buying Groups
- Network alliances

Small veterinary owned practices are around 60% of market
- 250 small animal practices
- Veterinary owned partnership model
- Recent minority investment from a private equity fund

- 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

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

- Food production practices
- Private equity owned
- Significant penetration of the food production sector
Welcome to XLvets
By working together we can achieve so much more

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

- Stage 1: start up
- Stage 2: emergence of big players
- Stage 3: consolidation and mega deals
- Stage 4: maturity and alliance

25 year cycle

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.

**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

<table>
<thead>
<tr>
<th>Numbers of employed vets</th>
<th>2015</th>
<th>2018</th>
<th>2015-18 growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pets at Home</td>
<td>338</td>
<td>1,352</td>
<td>300%</td>
</tr>
<tr>
<td>CVS</td>
<td>276</td>
<td>1,363</td>
<td>394%</td>
</tr>
<tr>
<td>IVC</td>
<td>160</td>
<td>1,200</td>
<td>650%</td>
</tr>
<tr>
<td>Medivet</td>
<td>108</td>
<td>688</td>
<td>537%</td>
</tr>
<tr>
<td>Total</td>
<td>882</td>
<td>4,603</td>
<td>422%</td>
</tr>
</tbody>
</table>
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**
- Yes: 78%
- No: 10%

**Spring 2015**
- Yes: 74%
- No: 13%

*Base = All Q2 respondents (1087) for Spring 2014 and (689) for 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

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

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

An industry leading CPD programme
You'll spend at least 12 days a year taking part in off-site training including vet line sessions, seminars, annual congress attendance, plus and online resource membership.

We Offer Great Rewards
We know it mustn't break the bank, so we offer all our new graduates a £5,000 golden bulg, paid in two parts over the first 12 months.

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.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All vets</td>
<td>25%</td>
</tr>
<tr>
<td>Female</td>
<td>29%</td>
</tr>
<tr>
<td>Male</td>
<td>20%</td>
</tr>
<tr>
<td>Aged under 35</td>
<td>22%</td>
</tr>
<tr>
<td>Aged 35-44</td>
<td>27%</td>
</tr>
<tr>
<td>Aged 45-54</td>
<td>24%</td>
</tr>
<tr>
<td>Aged 55+</td>
<td>26%</td>
</tr>
<tr>
<td>Production animal practice</td>
<td>19%</td>
</tr>
<tr>
<td>Companion animal practice</td>
<td>28%</td>
</tr>
<tr>
<td>Mixed practice</td>
<td>20%</td>
</tr>
<tr>
<td>Equine practice</td>
<td>25%</td>
</tr>
<tr>
<td>Charity</td>
<td>25%</td>
</tr>
<tr>
<td>Government</td>
<td>18%</td>
</tr>
<tr>
<td>Academia</td>
<td>24%</td>
</tr>
<tr>
<td>Commerce and industry</td>
<td>18%</td>
</tr>
<tr>
<td>Research/Laboratory</td>
<td>26%</td>
</tr>
</tbody>
</table>

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)

- All vets: 20%
- Female: 20%
- Male: 20%
- Aged under 35: 7%
- Aged 35-44: 20%
- Aged 45-54: 26%
- Aged 55+: 30%
- All vets working in clinical practice: 16%
- All vets not working in clinical practice: 53%
- Production animal practice: 20%
- Companion animal practice: 17%
- Mixed practice: 9%
- Equine practice: 16%
- Charity: 30%
- Government: 54%
- Academia: 46%
- Commerce and industry: 63%
- Research/Laboratory: 44%

Base = all vets (1442)
Biggest growth in part-time work is amongst men

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

Source: RCVS Survey of the Profession 2014
Recent grads meeting: “disillusionment”

“Lack of career development”

“Insufficient pay”

“Lack of management and support from bosses”
Career Opportunities

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

Banfield in 2016:
• 2.5 Million dogs
• 505,000 cats
Makes things happen

animal health plans

Making treatments regular and more affordable

Welcome to XLVets
By working together we can achieve so much more

XLVets Pets
XLVets Farm
XLVets Equine

Students
Working together
Join our community

A genuinely independent buying group for independent practices.

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.

“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

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
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