

# Q2-2017 Veterinary Industry Update



## Market Overview

Consolidation of private practices into corporate chains continued in the second quarter of 2017, as private equity-backed veterinary practice management companies try to leverage their greater access to operational, management, laboratory, and technology resources, and share streamlined processes and information management systems, in order to create more efficient operations. Although corporate-owned practices comprise the minority of total animal hospitals in the United States, they are increasing rapidly. The primary driver of consolidation within the sector is private equity investors who have become increasingly attracted to the space due to a number of investment characteristics that include trends in pet ownership, rising number of overall companion animals in the U.S., the large cash component of the business, and the potential efficiencies that are possible to achieve given the high degree of fragmentation in the sector. In addition, many funds seek to replicate the successes that other investors have already had in veterinary services. The second quarter saw one exit by a private equity firm, as HIG Growth Partners exited its investment in Community Veterinary Clinics, LLC, which the fund originally invested into in 2010 (at the time named PawsPlus). Provident anticipates investor interest within the sector to remain strong throughout the rest of 2017.

## SELECT TRANSACTIONS:

Month	Acquirer	Target Company	Details
June 2017	VetCor / Harvest Partners and Cressey & Company	Wabash Valley Animal Hospital	VetCor, backed by Harvest Partners and Cressey & Company, has acquired Wabash Valley Animal Hospital, located in Terre Haute, Indiana. This acquisition will strengthen VetCor's presence in Indiana and represents VetCor's 214 <sup>th</sup> partnership and seventh location in the state. Financial terms of the deal were not disclosed.
		East Holmes Veterinary Clinic	VetCor has acquired East Holmes Veterinary Clinic located in Berlin, Ohio. This acquisition represents VetCor's 213 <sup>th</sup> hospital partnership and 16 <sup>th</sup> location in Ohio. In addition to medical veterinary services, East Holmes Veterinary Clinic also offers ancillary grooming, daycare, and bathing services through its Red Ruff Inn. Financial terms of the deal were not disclosed.
May 2017	Community Veterinary Partners / Cortec Group	South Towne Veterinary Hospital	Community Veterinary Partners, a portfolio company of private equity firm Cortec Group, has strengthened its New York presence through the acquisition of Rochester-based South Towne Veterinary Hospital. Financial terms of the deal were not disclosed.
May 2017	Community Veterinary Clinics, LLC	H.I.G. Growth Partners (Divestiture)	H.I.G. Growth Partners, a growth focused investment firm, has sold its stake in Community Veterinary Clinics, LLC (CVC) to CVC's managing team and majority owners. H.I.G. Growth Partners originally invested in PawPlus, Inc. in 2010, then subsequently merged the Company with VIP Petcare Holdings, Inc. in 2014 to create CVC. Financial terms of the deal were not disclosed.
April 2017	Community Veterinary Partners / Cortec Group	Fort Washington Veterinary Hospital	Community Veterinary Partners, a veterinary practice management company, has expanded its network of veterinary hospitals through the acquisition of Pennsylvania-based Fort Washington Veterinary Hospital. Financial terms of the deal were not disclosed.
April 2017	Southern Veterinary Partners / Shore Capital Partners	Southside Animal Hospital	Southern Veterinary Partners, a portfolio company of Shore Capital Partners, has added Southside Animal Hospital, located in Birmingham, Alabama, to its network of animal clinics. Southern Veterinary Partners will move Southside Animal Hospital to a new, larger location with three examination rooms and a modern surgical suite in an effort to leverage the excess demand in that area. The facility will also be rebranded as Avondale Animal hospital. Financial terms of the deal were not disclosed.
April 2017	Petco / CVC Capital Partners	PetCoach	Petco, a portfolio company of CVC Capital Partners and a pet specialty retailer that provides products, services, advice, and experiences aimed at keeping pets healthy, acquired PetCoach. PetCoach is a digital services company that connects pet owners with experienced veterinary professionals for personalized answers to improve the overall health and wellness of their pets by providing easy access to expert advice. This acquisition represents a continuation of Petco's strategy to grow through innovation and consumer-focused initiatives. Financial terms of the deal were not disclosed.
April 2017	VetCor / Harvest Partners and Cressey & Company	The Cat Doctor	VetCor has acquired The Cat Doctor, a feline-only practice, located in Portland, Oregon. This acquisition is only VetCor's fourth exclusively feline practice and third site in Portland. Financial terms of the deal were not disclosed.