

## Pet Ownership Trends Accelerating Veterinary M&A Activity

### Commentary:

- Since the number of households with pets increased to ~70% in 2022, it is no surprise that interest and activity in veterinary clinics has continued to be strong and see steady growth. Pet expenditures have grown from \$53.3 billion in 2012 to \$136.8 billion in 2022. Additionally, 23 million households adopted pets during the pandemic and millennials show a higher adoption rate than older generations, providing a backdrop for sustained industry tailwinds.
- As pets have increasingly become part of peoples' families, owners have been choosing to spend more on the high-quality goods and services for them. Sustainability trends have also affected this industry, with pet food manufacturers looking to reengineer their products towards more sustainable ingredient sources to cater to the concerns of their consumers. The resulting expenditures on pets on a per household is expected to propel further market expansion.
- This growing market, combined with a highly fragmented veterinary practice sector, has attracted substantial investor and strategic interest, as they see an opportunity to build scale and create greater operating efficiencies and regional market power.
- M&A activity over the past few years has been strong, increasing to 169 transactions in 2021 equating to \$121 billion in transaction value. In 2022, there were 119 transactions representing \$130 billion in transaction value. In 2023, there has been more modest deal flow, however, we continue to see valuations hold strong with multiples of up to 20x EBITDA as competition for clinics remains intense.
- With over 20,000 vet practices continue to be independently owned, favorable industry tailwinds, and early private equity success, we see a long and sustained runway for veterinary consolidation to continue and drive an active M&A market for the foreseeable future.

### Recent Notable Veterinary M&A Activity:



Target



Target



Target



Target



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Select Healthcare Services Transactions

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<p>We provided investment banking services for</p> 	 <p>has acquired</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
<p>Community Psychiatry</p> <p>has been acquired by</p> 	 <p>formed an affiliation with</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 

\* Represents a transaction executed by principals of Hexagon Capital Alliance at a prior firm