The veterinary services industry benefits from strong fundamentals, consistent growth, recession-resilient characteristics and no reimbursement risk

- $36 billion market with attractive secular fundamentals
  - Consistent historical and projected growth
  - Recession-resilient tendencies driven by inelastic demand
  - Diverse cash-pay customers results in no reimbursement risk and a short cash conversion cycle
- Fragmented industry creates compelling growth and consolidation opportunities for platforms of scale

## INDUSTRY GROWTH DRIVERS

1. Increased humanization of pets generates inelastic demand for pet care services
2. Aging U.S. population increasing the 45-74 year-old demographic, which has the highest average annual pet expenditures
3. Favorable volume trends attributable to growing awareness of pet health and wellness and increased pet life expectancy
4. Workforce and demographic shifts as well as value proposition of veterinary practice management companies driving consolidation potential

## U.S. VETERINARY SERVICES EXPENDITURES

For the years 2006 to 2021P
($ in billions)

- 2006: $27
- 2007: $29
- 2008: $30
- 2009: $29
- 2010: $30
- 2011: $30
- 2012: $31
- 2013: $32
- 2014: $34
- 2015: $36
- 2016E: $37
- 2017P: $40
- 2018P: $41
- 2019P: $43
- 2020P: $44
- 2021P: $46

- 2006-2015 CAGR: 3.0%
- Recession CAGR: 1.0%
- 2015-2021P CAGR: 4.2%

Source: IBISWorld and industry research
MARKET GROWTH DRIVER: PETS ARE INTEGRAL MEMBERS OF THE FAMILY

Growing “humanization” and increased sense of pets as key members of the family produces an inelastic demand curve for pet treatment and healthcare

- Highly emotional human-animal bond
- In times of recession, owners are less sensitive to the overall price of care for their pets and are more willing to seek out necessary treatment
- Owners are increasingly insuring their pets against more catastrophic events, although there is significant room for further growth
  - U.S. pet insurance industry expanded 14.5% annually from 2012-2014
  - Still early in growth cycle: despite recent expansion, only 1% of pets in the U.S. are insured, as compared to 23% in the U.K.
  - Owners with pet insurance on average spend ~120% more on pets annually and consume a higher volume of services as compared to those without insurance

EMOTIONAL BOND BETWEEN PET AND OWNER...

- 99% of pet owners view pets as family member or companion
- 93% of pet owners would risk their lives for their pet
- 76% of pet owners would spend any amount necessary to keep pet healthy
- 94% of pet owners believe their pet has human personality traits
- 71% of pet owners let their pet sleep in their bed with them
- 64% of pets receive presents for holidays and celebrations

...CREATE INELASTIC DEMAND FOR PET HEALTHCARE

Pricing indices 2001 to 2015

Source: Trupanion Insurance, BenefitsPro, U.S. Bureau of Labor Statistics and industry research
Market Growth Driver:
Pet Expenditures Supported by Population Aging Trends

Aging U.S. population has led to an expansion in the highest spending age groups

- The 45 to 74 year-old age group spends on average nearly 60% more on their pets than other age groups
  - Spending $613 on their pets annually, compared to an average of $385 for other age groups
  - Increased spending is a result of several factors, including higher disposable income, more free time and "empty nest syndrome"
- As the U.S. population continues to age, the 45 to 74 age group is expected to represent 1/3 of the U.S. population by 2030P

### U.S. Population Share for Key Demographic

U.S. demographic projections through 2030P

<table>
<thead>
<tr>
<th>Year</th>
<th>Under 25</th>
<th>25 to 34</th>
<th>35 to 44</th>
<th>45 to 54</th>
<th>55 to 64</th>
<th>65 to 74</th>
<th>75+</th>
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<tbody>
<tr>
<td>2000</td>
<td>$279</td>
<td>$427</td>
<td>$465</td>
<td>$625</td>
<td>$636</td>
<td>$547</td>
<td>$286</td>
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<td>2030P</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

By 2030P, the 45 to 74 year-old age group will represent 33% of the population

Source: Administration on Aging and U.S. Bureau of Labor Statistics
Increased awareness of preventative care and availability of specialty services has created higher demand for both routine and more sophisticated procedures

- Government and industry organizations have taken the lead on increasing awareness of the benefits of preventative care, highlighting the importance of keeping pets healthy with regular check-ups
  - The Center for Disease Control, the American Veterinary Medical Association and the American Animal Hospital Association have recently developed publications aimed at promoting preventative pet healthcare
  - Studies show that many serious health conditions are easily treatable if proper preventative care is given
  - Growing awareness has caused increased usage of preventative services, such as dentistry and nutritional consulting

- Technological advances and education around specialty services are also fueling growth in higher value, specialty-based procedures

**INDUSTRY COMMITMENT TO RAISING AWARENESS**

**GROWTH IN PREVENTATIVE AND SPECIALTY SERVICES**

Survey respondents communicating net volume increases

- Diagnostics: 43%
- Dentistry: 35%
- Diagnostic Imaging: 31%
- Nutritional Consulting: 16%
- Behavioral Consulting: 10%
- Surgery: 5%

Source: DVM360 and industry research
Market Growth Driver: Increasing Pet Lifespans Driving Higher Need for Care

An aging pet population will require more frequent and extensive care

- Advanced treatments and usage of preventative care has lengthened pet life expectancy
- Aging pet population requires more costly and frequent care, driving overall growth in veterinary services
  - Geriatric pets typically demand more sophisticated procedures and specialty services, such as surgery and diagnostics
- As pets age, yearly maintenance and ownership costs escalate due to increased visit frequency and the need for special diets and medication
  - Senior cats and dogs cost an average of 25% and 50% more, respectively, on an annual basis

## Increasing Pet Lifespan

<table>
<thead>
<tr>
<th>Average pet lifespan</th>
<th>(In years)</th>
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</thead>
<tbody>
<tr>
<td>Dogs 2002</td>
<td>10.6</td>
</tr>
<tr>
<td>Dogs 2012</td>
<td>11.0</td>
</tr>
<tr>
<td>Cats 2002</td>
<td>10.9</td>
</tr>
<tr>
<td>Cats 2012</td>
<td>12.0</td>
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</tbody>
</table>

### More Costly Senior Pet Ownership

Average yearly pet ownership cost, excluding specialty procedures

<table>
<thead>
<tr>
<th>($ in actuals)</th>
<th>Kitten</th>
<th>Adult Cat</th>
<th>Senior Cat</th>
<th>Puppy</th>
<th>Adult Dog</th>
<th>Senior Dog</th>
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<tbody>
<tr>
<td>$400</td>
<td>$300</td>
<td>$500</td>
<td>$800</td>
<td>$450</td>
<td>$1,200</td>
<td>$1,200</td>
</tr>
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</table>

Source: Banfield State of Pet Health and Humane America Animal Foundation
Veterinary practice management companies combine scale benefits of a national chain with advantages of a privately-owned practice

- Provide wide range of non-clinical administrative and support functions to affiliated and owned practices, which allows veterinarians to focus on core veterinary services

### Key Value Proposition from Veterinary Practice Management Companies

<table>
<thead>
<tr>
<th>Administrative Support</th>
<th>Dedicated staff handle non-clinical functions, allowing vets to focus on core veterinary care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economies of Scale</td>
<td>Enhanced supplier purchasing leverage makes equipment and services available at lower costs</td>
</tr>
<tr>
<td>Career Options</td>
<td>Access to formalized training, development and career options such as regional management roles</td>
</tr>
<tr>
<td>Marketing Leverage</td>
<td>Access to marketing resources that can help to build brand strength and attract new customers</td>
</tr>
<tr>
<td>Robust IT Systems</td>
<td>Access to more sophisticated IT and reporting systems enables data-driven management of operations</td>
</tr>
<tr>
<td>Capital</td>
<td>Lower financing costs and better access to capital</td>
</tr>
<tr>
<td>Clinical Quality</td>
<td>Collaborative clinical support and sharing of hospital best practices improves quality</td>
</tr>
</tbody>
</table>
Veterinary Practice Management Driver: Shifting Demographics and Hospital Ownership Preferences

Aging landscape of practicing veterinarians combined with the high accumulation of student debt and the increased desire for work-life balance has created a market imbalance for practice ownership.

**INCREASING LEVELS OF AVERAGE GRADUATE DEBT...**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Student Debt ($ in 000s)</th>
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<tbody>
<tr>
<td>2006</td>
<td>$106</td>
</tr>
<tr>
<td>2015</td>
<td>$157</td>
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</table>

48% increase in debt

**...AND AN AGING WORKFORCE...**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Veterinarian Workforce Over Age 55</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>32%</td>
</tr>
</tbody>
</table>

32% of veterinarians over the age of 55

**...COUPLED WITH EVOLVING DEMOGRAPHICS...**

<table>
<thead>
<tr>
<th>Year</th>
<th>Females Enrolled in Veterinary Medical Universities as % of Total Enrollment</th>
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</thead>
<tbody>
<tr>
<td>1970</td>
<td>11%</td>
</tr>
<tr>
<td>2016E</td>
<td>80%</td>
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</table>

69% increase in female vet workforce

**...LEADS TO LOWER DESIRE FOR PRACTICE OWNERSHIP**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Survey Respondents Seeking Practice Ownership</th>
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<tbody>
<tr>
<td>2006</td>
<td>53%</td>
</tr>
<tr>
<td>2012</td>
<td>29%</td>
</tr>
</tbody>
</table>

22% drop in ownership aspirations

Source: Association of American Veterinary Medical Colleges, American Veterinary Medical Association and Veterinary Economics Survey
Highly fragmented universe of veterinary hospitals presents consolidation opportunity for operators of scale

- 90%+ of the 28,000 veterinary hospitals in the U.S. are independently owned
- Veterinary services is in the early stages of consolidation, with consolidator ownership expected to nearly double by 2025P
- Consolidation trends accelerating given aging of veterinarians and a growing preference among graduating veterinarians to work for a veterinary services platform rather than start their own practice or acquire an existing hospital

HIGHLY FRAGMENTED MULTI-SITE HC SUB-SECTOR...

Vet remains one of the most fragmented multi-site HC industries

Consolidating Industries

<table>
<thead>
<tr>
<th>Top Provider Market Share</th>
<th>Veterinary Services</th>
<th>Dental</th>
<th>ASC¹</th>
<th>Home Health</th>
<th>Physical Therapy</th>
<th>Optical</th>
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<tr>
<td></td>
<td>9%</td>
<td>16%</td>
<td>20%</td>
<td>22%</td>
<td>25%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Current

2025P

Expected near doubling of consolidator ownership by 2025P
Investors appreciate and gravitate toward the veterinary space due to the well understood expansionary opportunities inherent in the business model.

SUCCESSFUL PLATFORM DYNAMICS

**MULTI-FACETED GROWTH STRATEGY**

**SAME CENTER**
- Growth by Vintage
- Volume & Price Variations
- Site Profitability Deviations

**DE NOVOS**
- Unit Economics
- De Novo Variances
- Selection Criteria
- “White Space” Opportunity

**ACQUISITIONS**
- Post-Acquisition Performance
- Integration / Improvements
- Market Density / Penetration
- Target Pipeline

**SCALABLE INFRASTRUCTURE**
- Ability to Leverage Corporate Overhead
- Pricing on Supplies & Labs
- Scalable Systems Infrastructure

**Successful Platform Characteristics**
- Platform of scale that investors will build on
- Density in current markets and ability to expand into additional key target locales
- Proven and replicable growth strategy
- Ability to capitalize on integration of newly acquired hospitals
- Recurring revenue model
- Highly profitable business with superior free cash flow generation
- Built-in growth from currently ramping de novos
### VETERINARY SERVICES PLATFORM LANDSCAPE

<table>
<thead>
<tr>
<th>Platform</th>
<th>Ownership</th>
<th>Approximate Location Count</th>
<th>NE</th>
<th>Mid-Atl.</th>
<th>SE</th>
<th>MW</th>
<th>SW</th>
<th>West</th>
<th>Services</th>
<th>Gen. Practice</th>
<th>Specialty</th>
<th>Branding</th>
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<tbody>
<tr>
<td><strong>Private</strong></td>
<td>1,100</td>
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<td><strong>Public: WOOF</strong></td>
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<td><strong>ARES</strong></td>
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<td><strong>Harvest Partners / Cresssey</strong></td>
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<td><strong>PetVet Care Centers</strong></td>
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<tr>
<td><strong>Imperial Capital</strong></td>
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<tr>
<td><strong>QUAD-C</strong></td>
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<td></td>
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<td></td>
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<tr>
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<td></td>
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<tr>
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<tr>
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<td>✓</td>
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</tr>
</tbody>
</table>

**Largest 5 Platforms**

**MARS**

- Private: 1,100 locations
- Business: Mars includes Banfield, Pet Partners and BluePearl locations

**VCA**

- Public: WOOF: 770 locations

**NVA**

- Private: 390 locations

**VetCor**

- Harvest Partners / Cresssey: 180 locations

**PetVet Care Centers**

- Teachers’ Pension Plan / Catterton: 60 locations

**Other Platforms**

- Belvoir Investments Corporation: 53 locations
- Imperial Capital: 37 locations
- Private: 36 locations
- Morgan Stanley: 32 locations
- QUAD-C: 28 locations
- CORTEC Group: 25 locations
- FVP: 22 locations
- Private: 21 locations

*Source: Wall Street estimates, company press releases and industry research*

1. Mars platform includes Banfield, Pet Partners and BluePearl locations
2. VetStrategy hospitals are exclusively located in Canada
# Veterinary Practice Landscape: Top Platforms (Cont.)

## Veterinary Services Platform Landscape

<table>
<thead>
<tr>
<th>Platform</th>
<th>Ownership</th>
<th>Approximate Location Count</th>
<th>NE</th>
<th>Mid-Atl.</th>
<th>SE</th>
<th>MW</th>
<th>SW</th>
<th>West</th>
<th>Services</th>
<th>Branding</th>
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<tbody>
<tr>
<td>PetWell Partners</td>
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<td>Northern Virginia Veterinary Associates</td>
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</table>

Source: Wall Street estimates, company press releases and industry research
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