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REAL DATA IN REAL TIME

2018 Market Dynamics & Practice Insights

Presented by Animalytix LLC

AUGUST 3, 2019

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"A web-based resource center for the practice sponsored by the industry's leading animal health distribution companies"

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QuickTapSurvey

Vetalytix AVMA 2019 Survey

As a Profession, Are We Listening To and Responsive To Their Needs?

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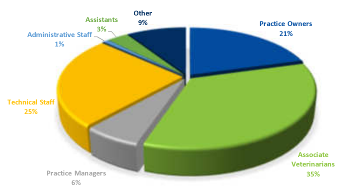
QuickTapSurvey

Vetalytix VMX 2019 Survey

- 5 minute survey conducted January 2019
- Statement Concurrence Format
  - Strongly Agree
  - Agree
  - Neutral
  - Disagree
  - Strongly Disagree
- 489 Respondents
- Influencers
  - Practice Owners
  - Practice Managers
  - Associate Veterinarians
- Implementers
  - Technical Staff
  - Administrative Staff
  - Assistants
  - Others



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VMX 2019 Survey Respondents on Changing Client & Practice Behaviors

2019 Quick Tap Vetalytix VMX QuickTapSurvey	Owners / Managers			Staff		
	Agree / Strongly Agree	Neither Agree nor Disagree	Disagree / Strongly Disagree	Agree / Strongly Agree	Neither Agree nor Disagree	Disagree / Strongly Disagree
My clients require more information and more choice than in the past	77.4%	16.9%	5.6%	70.2%	22.9%	6.9%
The demands of my clients are forcing me to change the way I deliver my services	50.2%	30.2%	19.6%	36.2%	42.6%	21.3%
My clients are increasingly seeking to fill prescriptions at locations other than my veterinary practice	76.4%	14.6%	9.0%	67.2%	26.6%	11.2%
My clients are making greater use of third party pet-related services including daycare, training, dog walkers, dog parks, etc…	78.4%	16.6%	5.0%	66.5%	30.9%	2.7%
In recent years, my practice has increased the number of patients referred to specialty centers	65.4%	26.2%	8.3%	NA	NA	NA
In recent years, my practice has expanded operating hours and/or days to meet the demands of my clients	33.9%	30.6%	35.5%	NA	NA	NA
My practice has chosen to price more competitvely with on-line and retailer sellers for items dispensed from the pharmacy	50.2%	30.6%	19.3%	NA	NA	NA
My practice is investing greater efforts in bringing existing clients back to the practice	NA	NA	NA	53.2%	41.5%	5.3%
In recent years, our customers are more resistant to annual wellness care than in past years	NA	NA	NA	29.8%	38.8%	31.4%

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Veterinary Consumption Index

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As featured in Today's Veterinary Business

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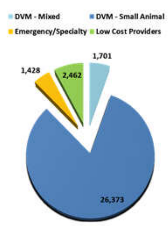
Animalytix Veterinary Consumption Index™ (VCI) … A Proxy For Veterinary Throughput

- Basket of $ 1.8 billion in exam room and surgical suite consumables purchased by 30,000+ practice locations
- Sites segregated into 4 practice types:
  - Small Animal Primary
  - Emergency/Specialty
  - Low Cost Providers
  - Mixed Animal Providers
- Analysis period 2016 vs 2018
- Sales data geo-located according to region, state, and Vetalytix Reporting areas (237)



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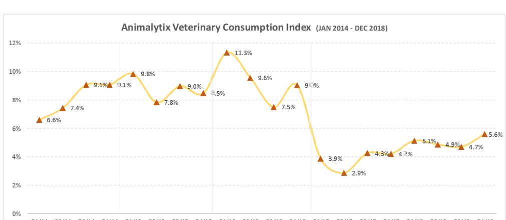
Veterinary Consumption Index Growth Rates Suggest Modest But Solid Growth in 2018



- 2018 VCI growth rates consistently improved vs PY
- When adjusted for price considerations, real consumption in units grew by 2.5% - 3%

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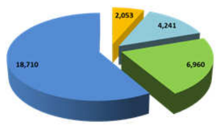
The Role of Entity Size and the Impact on Market Disparity



Quartile	Locations
Tier 1	2,053
Tier 2	4,241
Tier 3	6,960
Tier 4	18,710
Grand Total	31,964

- By force ranking practices based on VCI values, it is possible to segment the market into quartiles based on annual purchasing volumes
- This analysis indicates among DVM small animal & mixed practices, approximately 20% of practices generate 50% of total purchases
- This same 20/50 ratio is commonly identified within practices when analyzing client revenues

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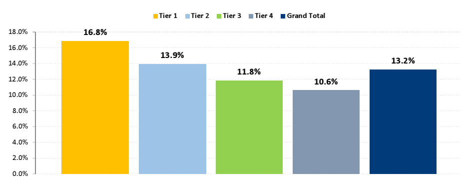
Index Growth by Quartile Tier for the Period JAN-DEC 2016 vs 2018 (VCI)



- *Tier 1 Quartile practices consistently outpace the market and all peer groups in terms of % growth rate*
- *This suggests significant consolidation of services continues to occur among the nation's largest 2,000+ practices*

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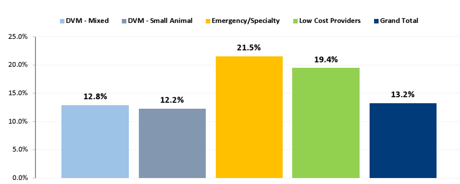
Companion Animal Market Trends – Index Growth 2016 to 2018 (VCI)



- *For the most recent 36 month period, small animal specialty and mixed practices slightly under-indexed in terms of growth while emergency / specialty and low cost providers realized +/- 20% growth for the same period*

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Veterinary Cost of Goods Index

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Question: When considering annual fee increases, what should a practice assume for typical adjustments due to input costs?

Dispensed Pharmacy

- FDA Approved Pharmaceuticals
- NSAIDs
- Human Labeled Pharmaceuticals
- 295 Brands

Core Products

Flea & Tick Prevention
Heartworm Prevention
50 Brands

Vaccines

- Core Vaccines
- Lifestyle Vaccines
- 158 Brands

Surgical Suite

- Induction Agents
- Inhalant Anesthetics
- 13 Brands

Consumables

- Needles & Syringes
- Catheters & Fluids
- Diagnostic Consumables
- 1,094 Brands

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Companion Animal Practice Supplies Input Cost Guidance Summary (AUG 2018)

Product Basket	Brands	2017 Sales (mil)	2018 Sales (mil)	$ PRICE VAR (mil)	$ VOL VAR (mil)	Total $ VAR (mil)	Price VAR %	Volume VAR %	Total VAR %
Core Products	50	$687.8	$692.1	$16.3	-$12.0	$4.3	2.40%	-1.70%	0.60%
Vaccines	158	$413.6	$432.5	$10.4	$8.5	$18.9	2.50%	2.10%	4.60%
Dispensed Pharmacy	295	$414.1	$423.5	$8.8	$0.6	$9.4	2.10%	0.20%	2.30%
Surgical Suite	13	$55.1	$52.5	$1.6	-$4.2	-$2.6	2.80%	-7.60%	-4.80%
Consumables	1,094	$205.8	$213.5	$3.2	$4.5	$7.7	1.60%	2.20%	3.70%
Grand Total	**1,610**	**$1,776.4**	**$1,814.1**	**$40.3**	**-$2.6**	**$37.7**	**2.30%**	**-0.10%**	**2.10%**

- Price increases for product baskets ranged from 1.6% to 2.8% by category while net unit growth slowed to negative (0.1%)
- Joint initiative with AVMA for annual reporting

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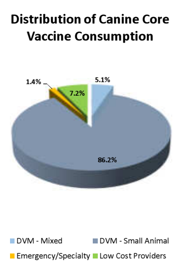
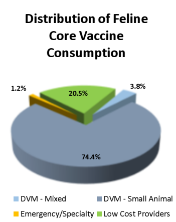
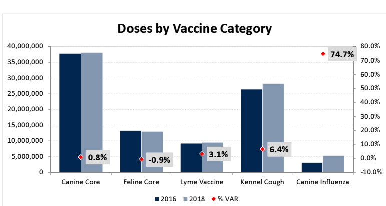
Small Animal Vaccine Market Dynamics

The Role of Core Vaccine Consumption as an Indicator of Wellness Trends



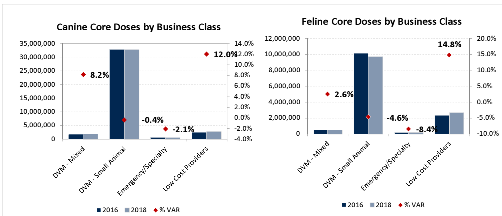


Companion Animal Vaccine Category Growth In Doses Sold 2018 vs 2016



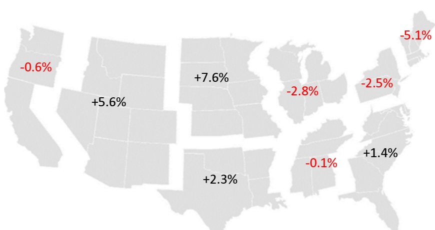
Since 2016, canine and feline core vaccinations have been flat to declining consistent with sluggish patient volumes; growth in Kennel Cough vaccinations was more robust as pet owners increasingly use third party dog services

Core Vaccine Dose Growth Indicates Growing Shares Among Mixed & Low Cost Providers



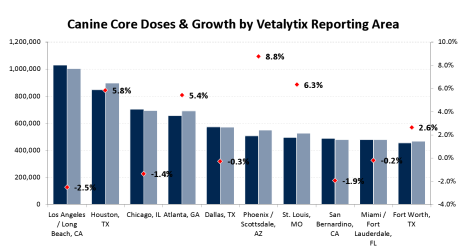
Core doses continue to shift from traditional small animal practices toward low cost providers and mixed practice locations for both species

Canine Core Vaccines – Regional Growth JAN-DEC 2016 vs JAN-DEC 2018

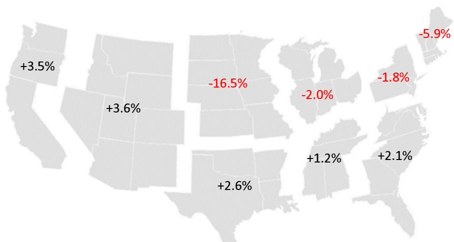


Eastern and Western coastal markets for canine core vaccinations have continued generally to soften while Midwestern and Mountain regions have been more robust

Canine Core Vaccine Doses Top 10 Vetalytix Reporting Areas / JAN-DEC 2016 vs 2018



Feline Core Vaccines – Regional Growth JAN-DEC 2016 vs JAN-DEC 2018



Feline market dynamics vary from dogs in with negative growth occurring from the Midwest through New England

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Veterinary Heartworm Market Dynamics

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Canine Heartworm Monthly Doses Per Vaccinate (DAP) / DVM Small Animal & Mixed JAN-DEC 2018

Snap Sample for 2018

- *15.5 m unique patients*
- *61% w/ NO Heartworm purchases (source: Greenline … +/- 4%)*

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