



# What's the Crystal Ball Telling Us About 2022?

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# Poll: By How Much Did Your Revenue Grow in 2021 Compared to 2020?

- Revenue declined
- Revenue was flat
- Revenue grew 1-7%
- Revenue grew 8-15%
- Revenue grew more than 15%
- Don't know



# Revenue

- VHMA/VetSuccess (~3,000+ practices)
  - 2021 13.2%
  - 2020 13.0%
  - 2019 7.0%
- Animalytix/Animal Care Technologies (~4,000+ practices)
  - 2021 8.8%
  - 2020 5.0%
- VHMA/Covetrus (~600 practices)
  - 2020 4.5%
  - 2019 4.2%

**Takeaway:**  
Revenue growth  
higher than pre-  
COVID

# Patient Visits

- VHMA/VetSuccess (Patient Visits)
  - 2021 5.0%
  - 2020 5.4%
  - 2019 3.6%
- Animalytix/Animal Care Technologies (Invoices)
  - 2021 1.1%
  - 2020 -0.3%
- VHMA/Covetrus (Patient Visits)
  - 2020 -3.8%
  - 2019 -0.7%

**Takeaway:**  
Revenue growth  
much higher than  
visits/invoices

# Why is Revenue Higher than Pre-COVID?

- Essential service
- Pet owners stayed home/noticing their pets more/developing more of a relationship
- Easier to visit vet when working from home
- More money
  - Stimulus package
  - Unemployment benefits (some better than regular pay)
  - Not spending money on travel, restaurants, entertainment, etc.
- Adoptions?
- Some clinics benefiting from other clinic closures/reduced appointment schedules/hours



# Why is Revenue Growth Much Higher than Visits/Invoices?

- Pet owners doing work they had put off—either hadn't noticed or chosen not to do
- Possible due to stimulus money/unemployment benefits/reduced spending on travel, restaurants, entertainment, etc.
- Adoptions?



# New Clients

- Pre-COVID
  - Mixed results depending on study
  - Up 2-3% per year vs. significant declines
- Mid-2020 to early 2021
  - Strong increase
- Early 2020 to present
  - Strong declines



**Takeaway:**  
Growth due to  
adoptions and  
clients switching  
clinics; how  
permanent?



# What Happens Next?



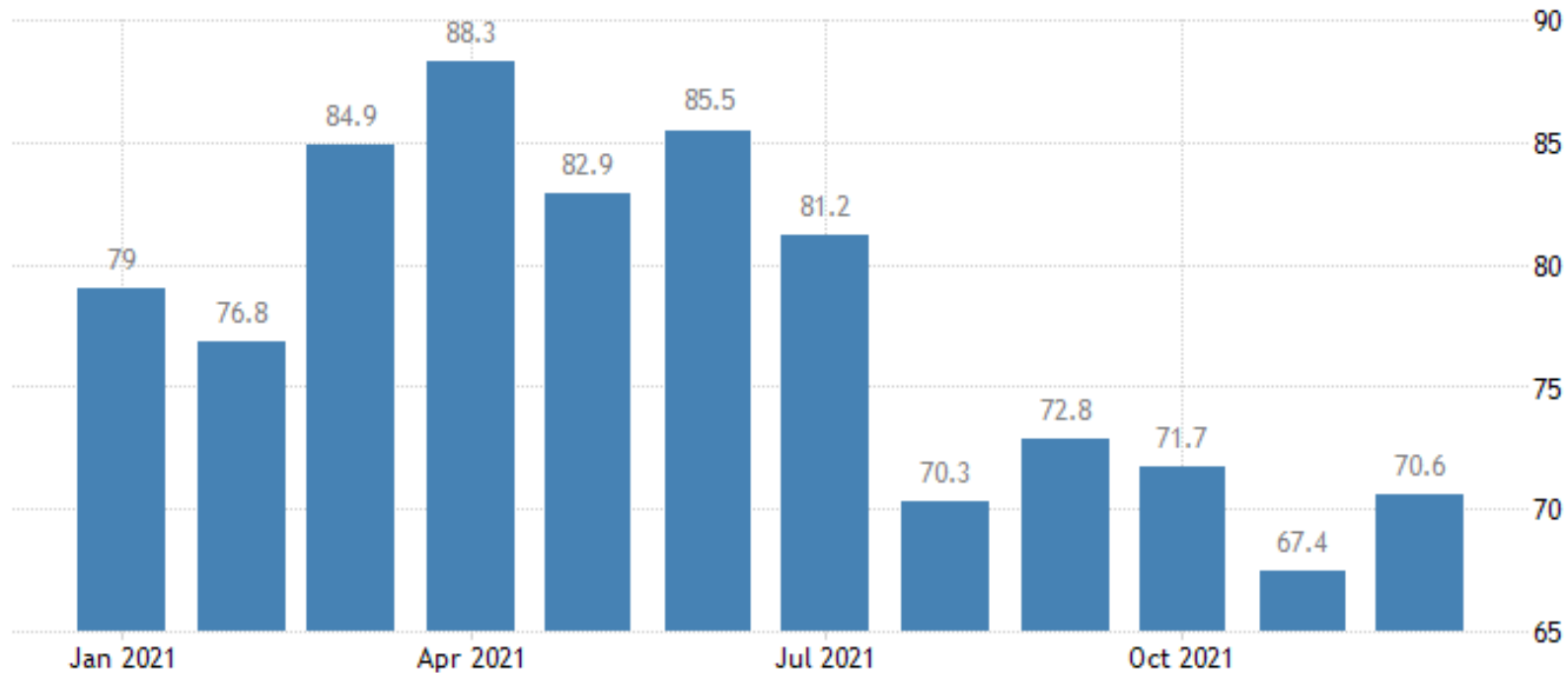
# What Happens Next?

Revenue	
Jan, 2021	6.2%
Feb, 2021	4.2%
Mar, 2021	27.8%
Apr, 2021	34.3%
May, 2021	9.6%
June, 2021	7.0%
July, 2021	5.8%
Aug, 2021	11.6%
Sept, 2021	6.9%
Oct, 2021	4.4%
Nov, 2021	14.0%
Dec, 2021	9.1%

Patient Visits	
Jan, 2021	-1.1%
Feb, 2021	-2.5%
Mar, 2021	-16.2%
Apr, 2021	-24.1%
May, 2021	4.4%
June, 2021	3.2%
July, 2021	0.6%
Aug, 2021	4.9%
Sept, 2021	1.0%
Oct, 2021	-2.0%
Nov, 2021	6.0%
Dec, 2021	0.7%

New Clients	
Jan, 2021	9.3%
Feb, 2021	7.3%
Mar, 2021	34.8%
Apr, 2021	25.7%
May, 2021	-5.2%
June, 2021	-8.3%
July, 2021	-9.1%
Aug, 2021	-4.8%
Sept, 2021	-7.5%
Oct, 2021	-11.8%
Nov, 2021	-4.2%
Dec, 2021	-8.3%

# Consumer Confidence



SOURCE: TRADINGECONOMICS.COM | UNIVERSITY OF MICHIGAN

Decline due  
to inflation  
expectations  
and COVID



# Efficiency and Productivity

- Has declined during pandemic
- Can't easily hire more people
  - Just don't exist
  - Changes in employee expectations—work hours, culture
- At a limit on what we can ask from current team members
- Productivity/efficiency improvement addresses other issues too (burnout, need for more employees)

# Poll: The Average Number of Patients Seen per DVM per Hour in 2020 \_\_\_\_\_.

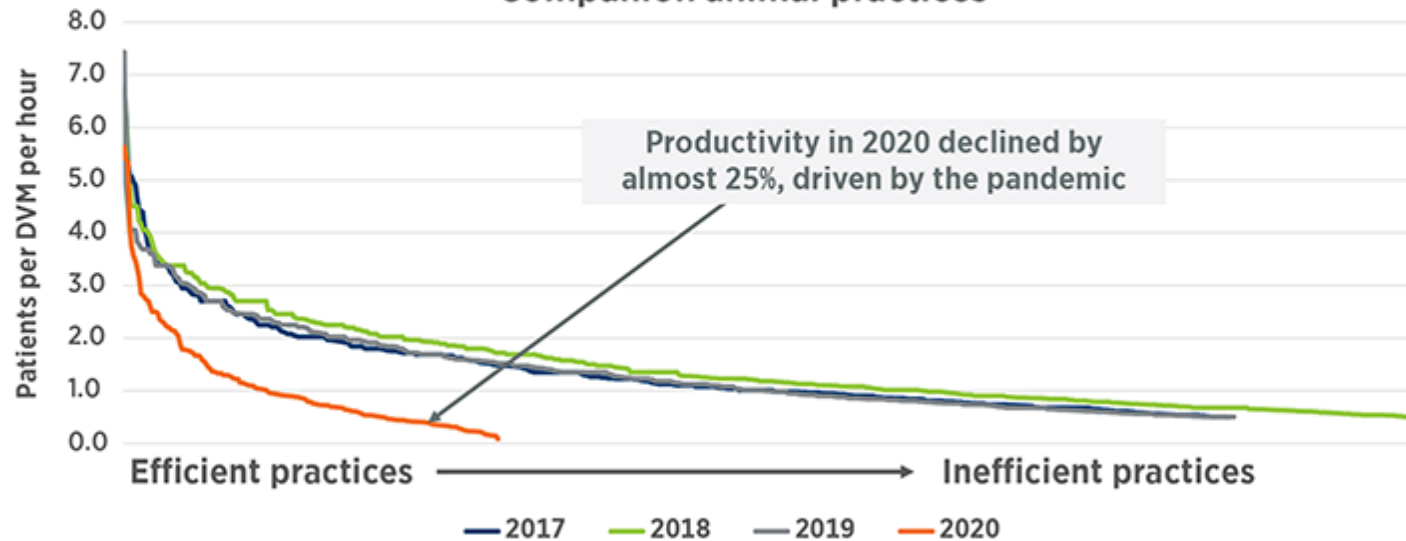
- Increased
- Decreased
- Remained the same



# Practice Productivity

## The pandemic hurt practice productivity

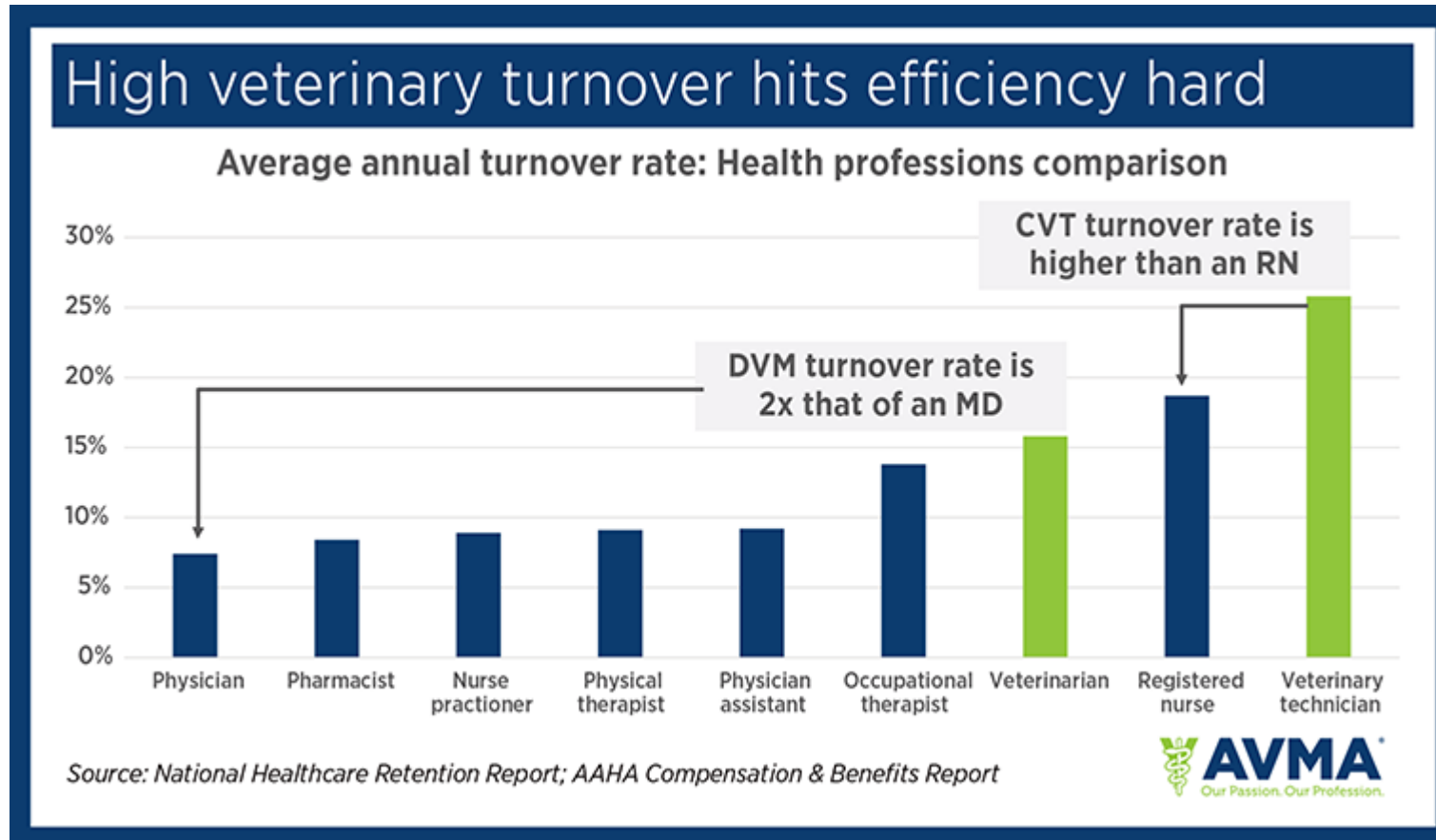
Average patients per DVM per hour 2017 – 2020  
Companion animal practices



Source: AVMA Practice Owner Survey

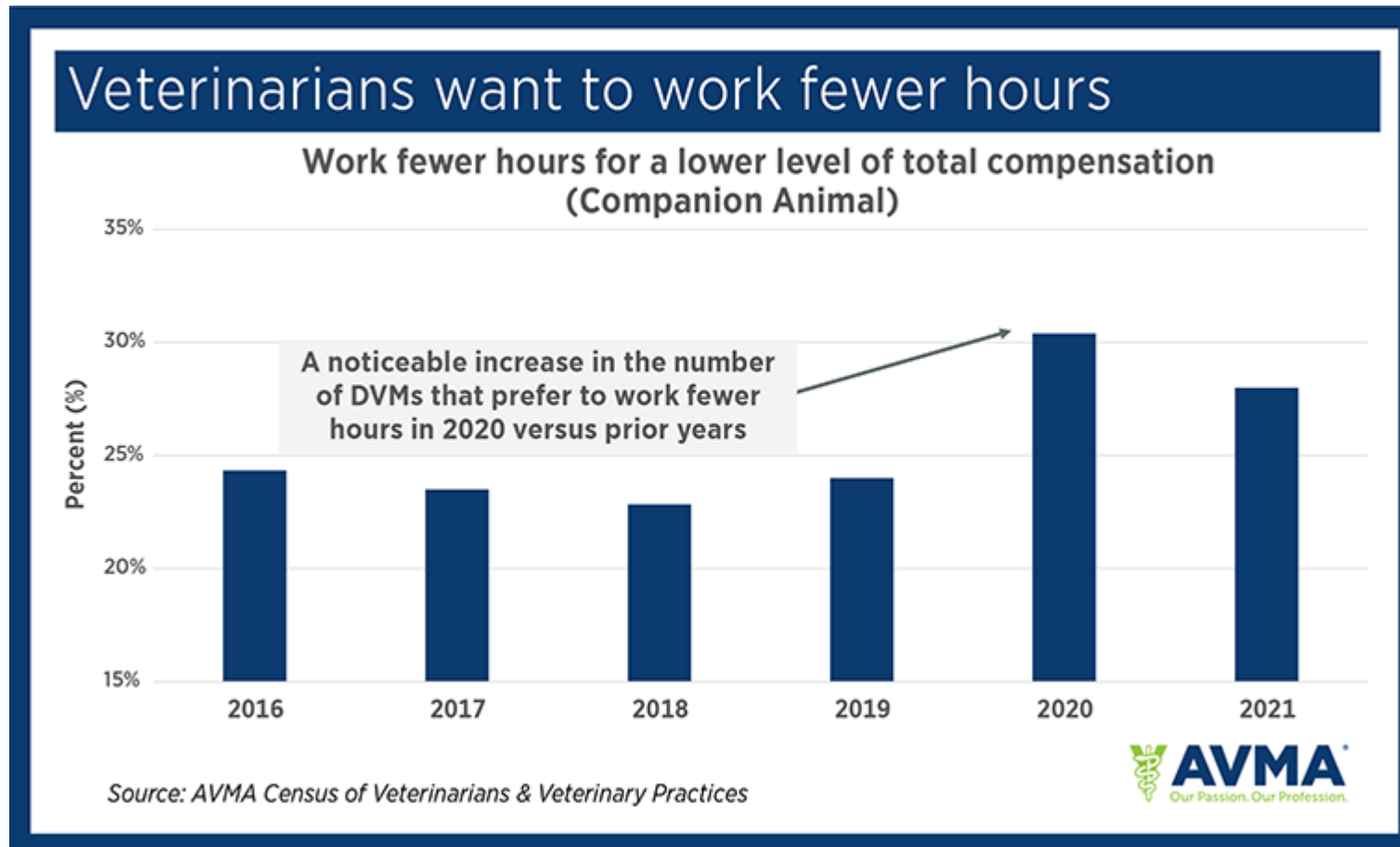


# Veterinary Team Turnover



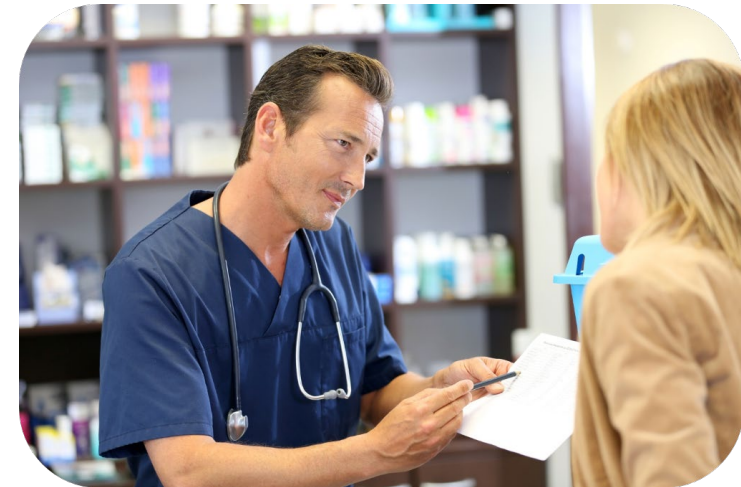


# Doctors Want to Work Less



# Efficiency/Productivity: People (Doctors and Staff)

- Functions
  - Hiring
  - Training
  - Communication
  - Time management
- Do you have?
  - Job descriptions
  - Employee handbook
  - Policy and procedure manuals
  - Structured hiring process
  - Regular performance evaluations
  - Good quality training program
  - Competitive salaries
  - Outstanding culture



# Efficiency/Productivity: Processes

- Examples
  - Outpatient workflow
  - Inpatient workflow
  - Boarding workflow
  - Inventory
- Define and streamline systems within processes
  - Who clients talk to
  - Where they go
  - What each team member is responsible for talking to them about
  - Visual aids available
  - What documents are involved
    - Questionnaires
    - Checklists
    - Client handouts
    - Travel sheets
    - Invoices



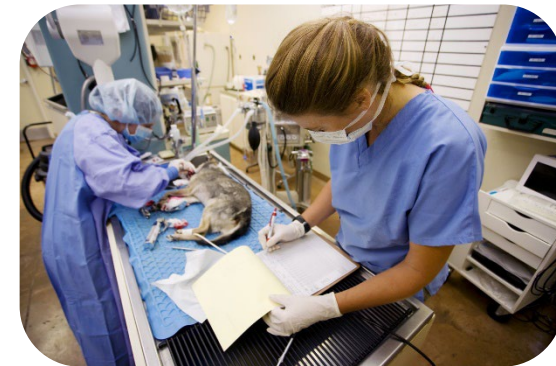
# Efficiency/Productivity

- Technology:
  - Medical—diagnosis and treatment
  - PIMS
    - Medical records
    - Inventory
    - Accounting
    - Management analysis
  - Client communication
  - Client education
  - Marketing
  - Accounting
  - Administrative—appointment scheduling, client refills



# Metrics

- Staff compensation as a % of gross revenue
- Doctor productivity--\$, transactions
- Average patients per doctor per hour
- Revenue per hour
- Revenue per FTE non-veterinarian employee
- Overtime
- Other



9th Ed. AAHA Financial and Productivity  
Pulsepoints (2015 data)

# Hours Per Transaction

- Average staff hours per transaction:  
$$\frac{\text{Total number of hours worked by all support staff}}{\text{Total transactions}}$$
- Average doctor hours per transaction:  
$$\frac{\text{Total number of hours worked by all doctors}}{\text{Total transactions}}$$
- Average total hours per transaction:  
$$\frac{\text{Total number of hours worked by all doctors/staff}}{\text{Total transactions}}$$



# Hours Per Transaction

- Mostly see between 2-3 in general practice with goal of 1.5
- Need to calculate for your practice and work on improving
  - Reduce total
  - Shift hours from doctor to staff
- Correlate with profitability







# The Great Resignation



# Why?



Toxic culture

Job insecurity and reorganization

High levels of innovation

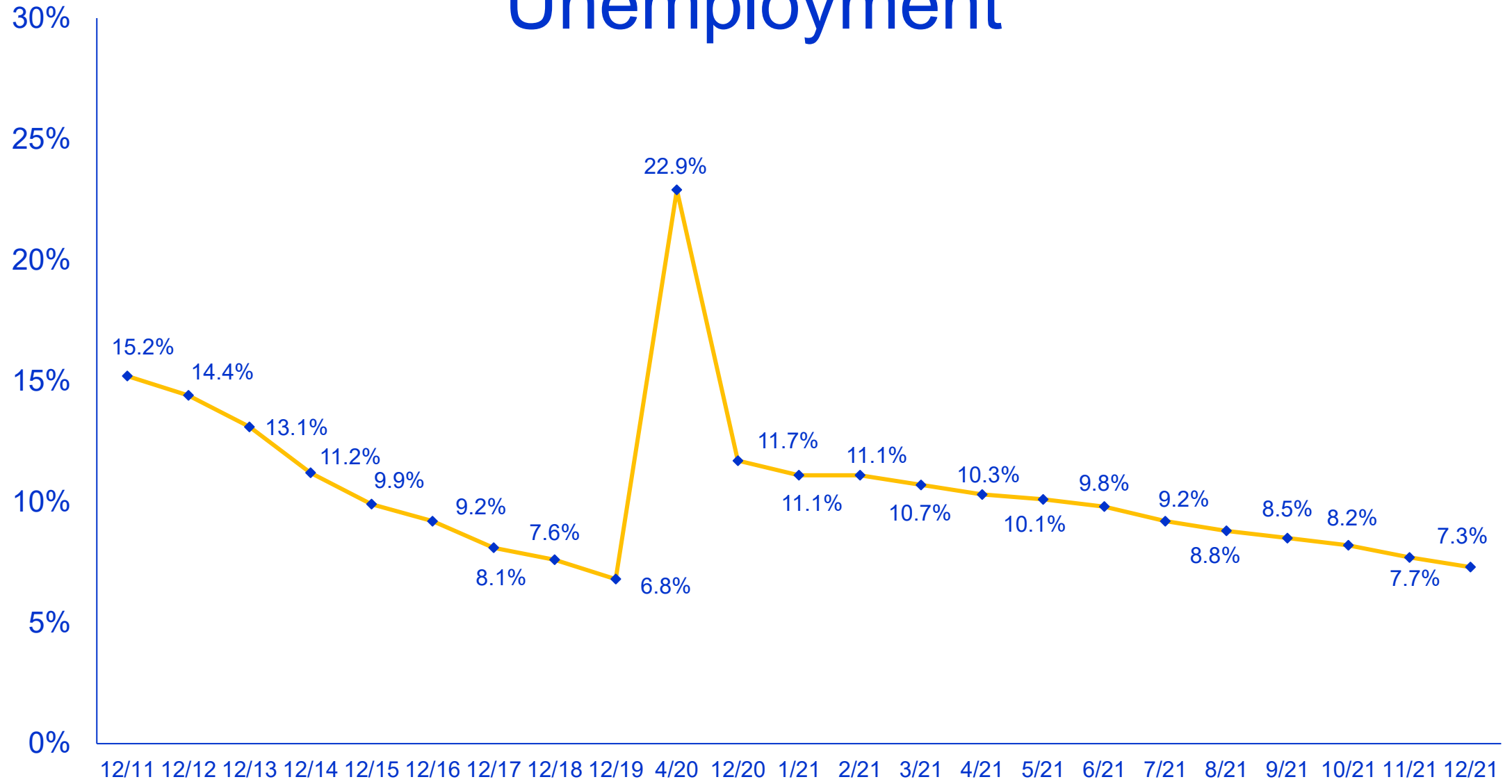
Failure to recognize performance

Poor response to COVID-19

Pay

Inc.com: "These Are the Top 5 Reasons People Are Quitting During the Great Resignation, According to a Massive New Analysis (Hint: None of Them Is Pay)" 1/18/22

# Unemployment



# “The Great Resignation”

- Not all a bad thing
- Candidate pools bigger and better
  - Not just those who have quit but many who are thinking about it
- Practices must.....
  - Have high visibility regarding open jobs
  - Be a place people want to work
  - “Recruit at warp speed and be prepared to pay”



# Poll: What Work Change do the Employees at Your Work Place Currently Want Most?

- Higher pay
- Better benefits
- Improved work-life balance
- Better business culture
- More career and personal development opportunities
- Greater desire for meaningful work
- Other



# Trends in What Employees Want

- Work-life balance
- Better life experience
- Better work experience and culture
- Career and personal development
- More flexibility at work
- Desire for meaningful work
  - The Great Reshuffle
- More money



# What Companies Are Doing About It

- Increased focus on:
  - Employee financial well-being
  - Mental health
  - Work-life balance
- More remote work options
- Better culture
- Transparency in compensation (base pay and bonus/incentive) determination/calculations
  - Retrospective not enough
  - Weekly/monthly updates on bonuses/incentives



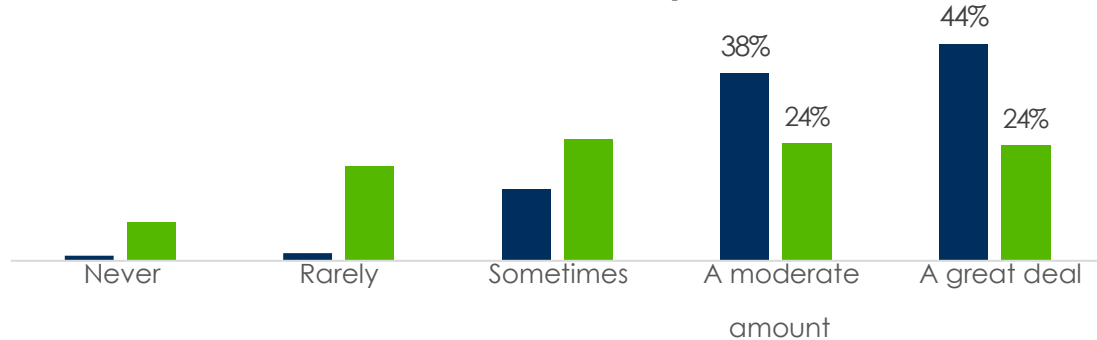
# What Companies Are Doing About It

- Improved flexibility in how things done
  - Location--works well for large, multi-location practice groups
  - Hours
  - Pay vs. benefits
  - Remote work
  - Job duties
- Change in desired leadership skills—more people oriented
- Increased employee development
- Improved measurement of compensation ROI
  - Right size management functions
  - Eliminating redundant/unneeded positions
  - Clarifying roles and responsibilities
  - Streamlining reporting and decision making

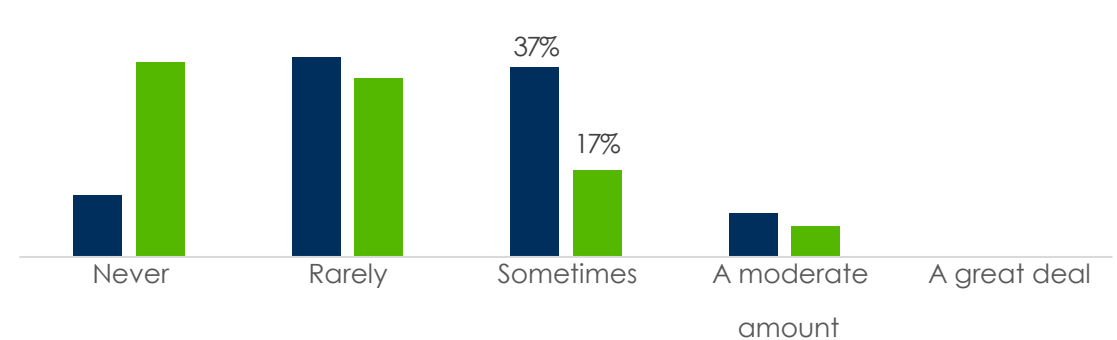


# Workplace Culture Gaps can Impact Staff Morale

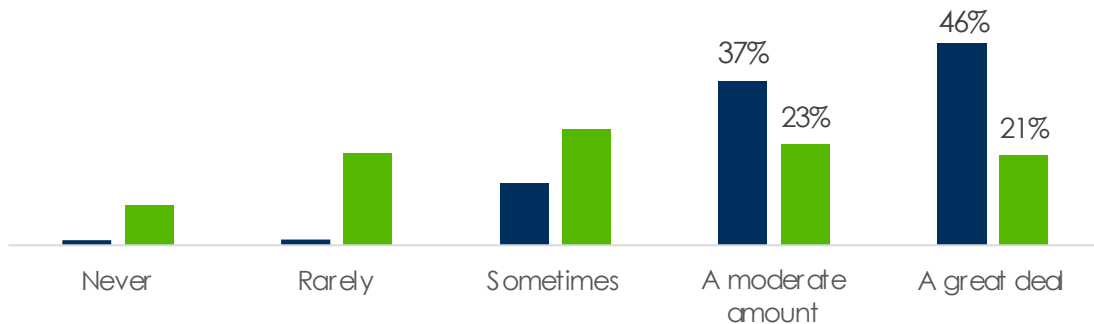
I show team members their personal and professional **success is important** to me



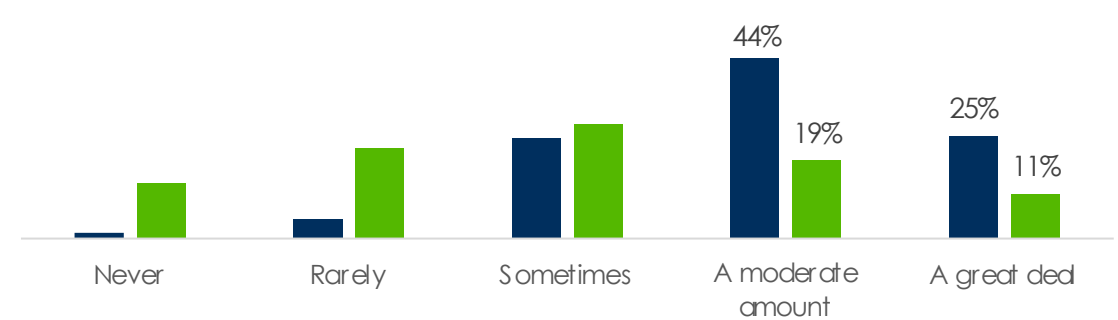
I hold team members **shortcomings against them**



I routinely show team members how **they and their work matters** here



I provide **clear expectations** and **meaningful control** to reach them



■ Owner ■ Associate



# Corporate Market Share

Difficult to estimate because of limited formal reporting requirements or data bases

- 25% of companion animal practices owned
- 40-50% of revenue
- Greater % of specialty/emergency practices owned compared to general
- 800-1,000 purchased in 2021, 700-800 in 2020
- Strong 2022 anticipated
  
- 60-70 groups buying practices

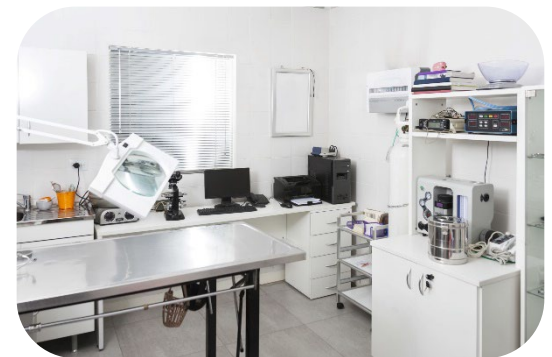
# Two Markets: Sell to Another Veterinarian

- Standard of value: fair market value
- The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts



# Two Markets: Sell to a Corporate Group

- Standard of value: investment value
- The value to a particular investor based on individual investment requirements and expectations
- Typically higher than fair market value
- Can vary greatly amongst buyers for the same practice



# US Corporate Ownership: Multiples Paid

- Veterinarian to veterinarian: +/- 5
- Veterinarian to corporate: 8-20 (some lower, some higher)
- Corporate to corporate: Even higher
- But....
  - Not all about multiples
    - Calculation of earnings
    - Rent
    - Compensation and benefits
    - Culture fit
    - Legacy
    - Seller work commitment



# What Does This Mean to a Practice Owner?

- It's a seller's market
- Very strong prices for practices with the right attributes
  - Location
  - Size
  - Profitability
  - # and stability of doctors
- Get professional advice
- Get multiple offers



# The End



## Questions?

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