



State of the Veterinary Market

2018 TREND ANALYSIS

Pharmaceutical Trends



In **2017** about **20** percent of a clinic's revenue was derived from pet medication sales.

Indirect costs associated with ordering and stocking Pharmacy Products is

20% to 45%

of the acquisition price, making in-house pharmacies costly to stock and operate for dwindling returns.

Slow rise of generic animal drugs

Human medicine generic drugs accounted for **88%** of dispensed prescriptions in 2014 in the US, but accounted for only **28%** of US drug spending.

Veterinary generics are slowly becoming available. **22** approved between 2013 and 2015. If this trend continues veterinary medications will continue to become cheaper and more available through alternative channels, continuing to produce declining revenues for veterinary practices.



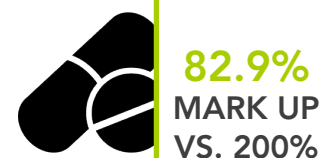
Changing Margins on Medications

Historic mark ups, 100% - 200% of drug's cost



= Cost to Customer
3x Drug's Cost to Veterinarian

The rise of big box & online competition has caused a significant decrease in mark ups at veterinary practices.

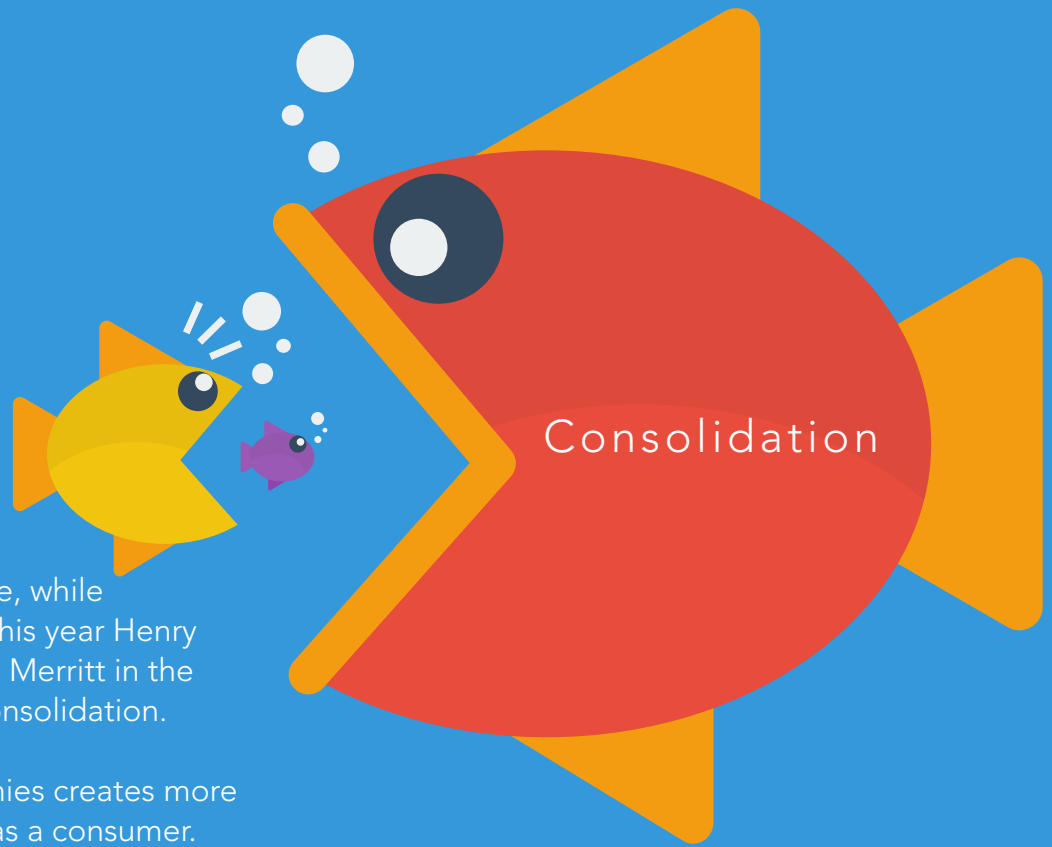


Business Trends

Supplier Consolidation

The number of animal health suppliers continues to decrease, while increasing their relative size. This year Henry Schein Animal Health acquired Merritt in the continuing trend of supplier consolidation.

The evolution of these companies creates more opportunities for the practice as a consumer.



Big Data in Veterinary Medicine

Veterinarians are beginning to leverage Electronic Medical Records Systems to predict health trends to improve their standard of care and predict what technologies they will need to integrate to leverage future health trends.

For example, data indicates that pets are living longer and are therefore impacted more by age-related diseases. Veterinarians are increasingly looking for new ways to manage these conditions.

Practice Consolidation

The trend towards **corporate-owned** practices continues...
...and corporate partnership models are gaining popularity.

70%

Of Veterinarians reported that practice ownership is not one of their aspirations

Stem Cell Therapy Takes Hold

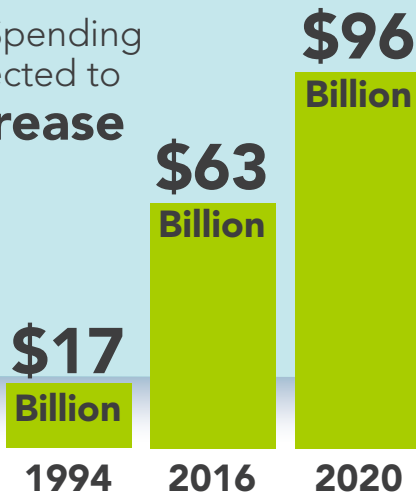
Veterinarians are beginning to adopt stem cell therapy as a solution to treat orthopedic conditions and to add a new service-based revenue stream.

Wearable Technologies

The trend towards **wearable technologies** designed to monitor pet health support the trend of big data in veterinary medicine. Practices are integrating wearable technologies to increase standard of care and to proactively manage disease states.

Pet Owner Trends

Pet Spending
Projected to
Increase



2002

average dog lifespan

10.5 YRS

2016

average dog lifespan

11.8 YRS

Increased **accessibility** to health care, a trend towards natural products, healthy eating and fitness tracking has equated to pets **living longer**. This trend is creating a bigger market for **geriatric care**.

65%
of dogs age

7+
suffer from
arthritis.

10 Top Trends



Natural Pet Products



Specialty Pet Services



Telemedicine



Acupuncture



Fitness Trackers



Physical Therapy



Accessible Health Care



Insurance



Subscription Services

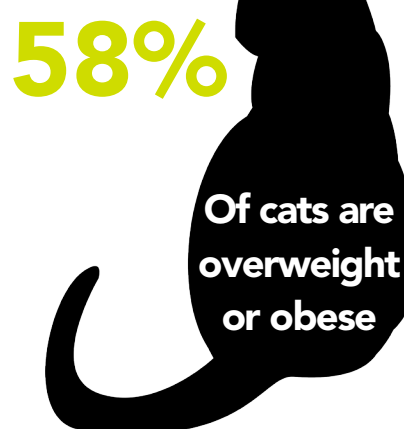
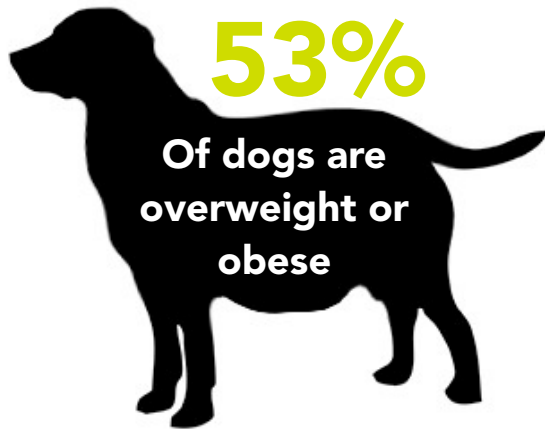


Drug-Free Alternatives

Pet Obesity Trends



"Obesity continues to be the greatest health threat to dogs and cats." states APOP Founder, veterinarian Dr. Ernie Ward. "Obesity is a disease that kills millions of pets prematurely, creates immeasurable pain and suffering, and costs pet owners tens of millions of dollars in avoidable medical costs."



? And more than **90%** of owners did not recognize that their obese pets weighed more than they should.

Most common obesity-related diseases

Canine Arthritis

\$292 Average treatment cost

Feline Bladder & Urinary Tract Disease

\$424 Average treatment cost

Top Obesity-Related Canine Claims

- Arthritis
- Bladder/Urinary Tract Disease
- Low Thyroid Hormone Production
- Liver Disease
- Torn Knee Ligaments
- Diabetes
- Diseased Disc in the Spine
- Fatty Growth
- Chronic Kidney Disease
- Heart Failure

Top Obesity-Related Feline Claims

- Bladder/Urinary Tract Disease
- Chronic Kidney Disease
- Diabetes
- Liver Disease
- Asthma
- Arthritis
- High Blood Pressure
- Heart Failure
- Gall Bladder Disorder
- Immobility of Spine

Nearly all pet owners and veterinary professionals (greater than 95%) believed an **overweight** pet is at increased risk of **pain and suffering** and that quality nutrition can extend life expectancy.

Pet Visit Trends



Top 10 Canine Claims

in 2016 as reported by Nationwide Pet Insurance

1. Atopic or allergic dermatitis
2. Ear infections
3. Benign skin neoplasia
4. Pyoderma (hotspots)
5. Osteoarthritis
6. Periodontis/tooth infection
7. Upset stomach
8. Intestinal inflammation/diarrhea
9. Cystitis or urinary tract disease
10. Anal gland sacculitis/expression

Top 10 Feline Claims

in 2016 as reported by Nationwide Pet Insurance

1. Periodontis/tooth infection
2. Cystitis or urinary tract disease
3. Renal disease or failure
4. Upset stomach
5. Hyperthyroidism
6. Intestinal inflammation/diarrhea
7. Diabetes mellitus
8. Inflammatory bowel disease
9. Atopic or allergic dermatitis
10. Valvular hear disease or murmur

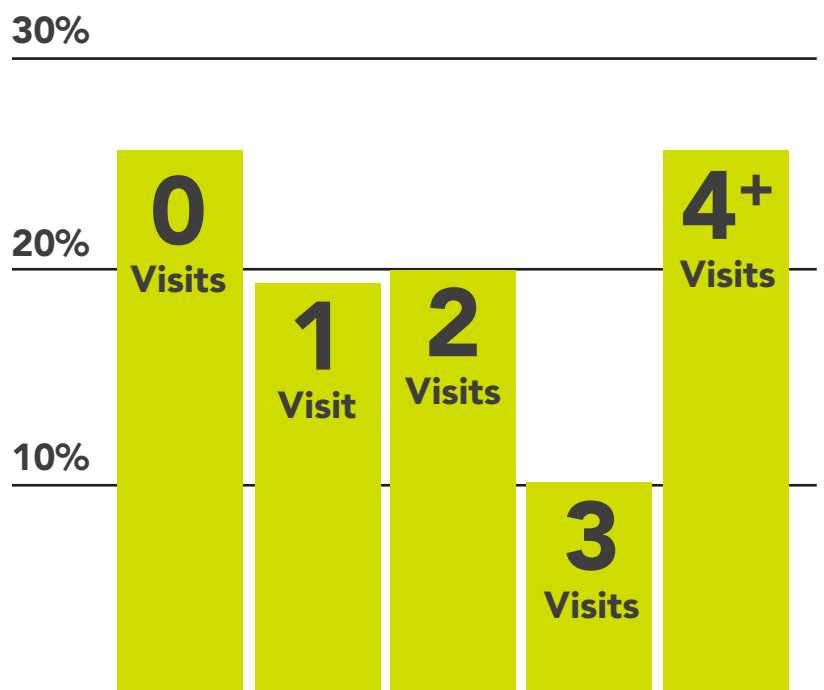
44%

of millennials see their pets as starter children, keep their fur baby feeling good with quality care.



Distribution of Pet-Owning Household by Number of Veterinary Visits 2011

Increased **services with a recurring treatment schedule** stimulate more visits, which equates to increased revenue. Services cannot be replaced by internet sales and other market-disrupting trends.



Veterinary Employment Trends

2015
\$88,490

Average Salary

2016
\$88,770

Average Salary

Salary Trends

Starting salaries of new veterinarians expected to continue to rise well into 2024, they were flat from 2010-2014.

Job outlook for veterinarians



18%

projected growth by 2026

Average education costs



250%

increase in the average cost of veterinary education over the past 15 years.

Changing demographics



20%

of veterinary graduating classes is male

Student debt trends



37%

increase in student debt from 2007, but nearly flat compared to 2015

It is projected that by the year **2024** there will be **6,900** new jobs in the veterinary field.

Technology & Hot Topics Trends



Wearables

When used with certain apps, pet wearables will allow owners to monitor their pets' exercise habits, nutritional intake, hydration levels, socialization and even sleeping patterns. Integrated calendars will set alert reminders for vaccines, flea and worming treatments.

Integrated Patient & Practice Data

Streamlined efficiency and data trend analysis are accomplished with integrated data platforms.

Improved Patient Communication

The accessibility of technology both to veterinarians and pet owners streamlines communications from diagnostic results to appointment reminders.

Apps

Emerging pet care applications, such as Pet Life serve as a "pet personal assistant" to pet owners and provides benefits to practices such as more regular wellness visits.

Feline Care & Fear Free

A new focus has been put on creating feline-friendly environments to reverse the continued trend of cats not going to the veterinarian regularly despite their role as the number 1 pet in the nation.

Multi-modal Pain Management

With the revised AAHA/AAFP guidelines veterinarians are increasingly looking for multi-modal approaches to pain management with an emphasis on non pharmaceutical options.

Subscription Services

Pet owners subscribe to services such as Bark Box, Paw Pack and Kit Nip Box.

Obesity

A focus on the ever growing obesity epidemic in pets in the United States gets the spotlight.

High-Tech Services

Veterinarians invest in capital equipment that give them a high-tech edge and consistent clinical outcomes such as underwater treadmills, therapy lasers, and even hyperbaric chambers.

Telemedicine

Veterinary medicine is starting to leverage telemedicine for communication with both pet owners and other veterinarians.



CAH Technology - How it Fits

Laser Therapy

Innovative Tech, Versatile

Fast, lasting results on a wide range of clinical conditions.

1. Treat arthritic conditions related to obesity
2. Effective on a wide range of species
3. Key in a multi-modal approach to pain management
4. Service that cannot be replaced online
5. Treat most of the "Top 10 Claims"
6. New revenue source

CRT

Fast-Emerging Technology

Utilize Stem Cell and Platelet Rich Plasma (PRP) Therapy to heal your patients.

1. Treat soft tissue conditions
2. Top performing in canine validation study
3. Drug-free approach clients are looking for
4. Service that cannot be replaced online
5. Cost-effective option for pet owners
6. New revenue source

Underwater Treadmill Weight Management & Rehab

Start a weight management program and bring hydrotherapy rehabilitation in-house.

1. Treat arthritic conditions related to obesity
2. Implement a weight-loss program
3. Increase pet visits
4. Service that cannot be replaced online
5. Innovative technology that appeals to pet owners
6. New revenue source

Stance Analyzer Early Lameness Detection

Detect lameness early, collect pet data, and enhance client communication.

1. Detect obesity-related lameness
2. Sell more services & easily communicate with clients
3. Collect data & identify trends
4. Service that cannot be replaced online
5. Identify pain before the pet shows it
6. Add technology to your wellness exam

Cold Compression Post-Surgical Rehabilitation

Jump-start the healing process post-surgically with cold and compressive therapy.

1. Quickly reduce post-surgical swelling
2. Provide a take-home wearable to clients
3. Enhance pet-owner perception of the clinic
4. Increased post-surgical compliance
5. Innovative technology that appeals to pet owners
6. Multi-modal pain management solution



CompanionAnimalHealth.com