

VETERINARY MARKET INSIGHT **2024**

A review of the UK veterinary market



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INTRODUCTION

Welcome to our Veterinary Market Insight 2024 report, which gives an overview of the trends and sentiments that have shaped the UK veterinary sector over recent years.

The sector has experienced a notable surge in growth post-pandemic, primarily fuelled by the rise in small animal ownership, culminating in an increased demand for veterinary services.

According to 2024 data from the Office for National Statistics (ONS), income generated from veterinary services in the UK rose by 24.8% from £5.04 billion in 2021 to £6.29 billion in 2022. This continued to increase by a further 6.5% in 2023, taking the total income generated from veterinary activities to £6.73 billion, which is an average annual growth of 15.7% since 2021.

As a result, financial institutions have shown a strong interest in backing smaller enterprises, distinguishing their support from the private equity and cash-driven mergers and acquisitions within the corporate sphere.

We hope you find this report insightful. If you would like to know more about the sector and the services that our team provides, you'll find our contact details on page 11.



ABOUT US

Christie & Co is the leading specialist adviser for valuing, buying and selling businesses across a range of specialist sectors, including veterinary, medical, and healthcare. As a company, we employ the largest international team of Chartered Surveyors and RICS Registered Valuers dedicated to these specialist markets.

Between 2021 and 2024, we experienced increased activity within the veterinary market across all our valuation services, consistently observing a trend towards consolidation, with corporate mergers and acquisitions leading the charge.

Over this time, we have valued over 150 veterinary practices across the UK, with a combined total value of circa **£222 million**. These valuations have predominantly been for loan security purposes with financial institutions keen to support the market. We have seen and advised on CMA-led disposals and diversifications of corporate assets, together with smaller transactional advice across the independent market.



MARKET COMPOSITION

OWNERSHIP BREAKDOWN

The veterinary sector provides medical advice and treatment in three market segments: companion care, farm/large animals, and equine.

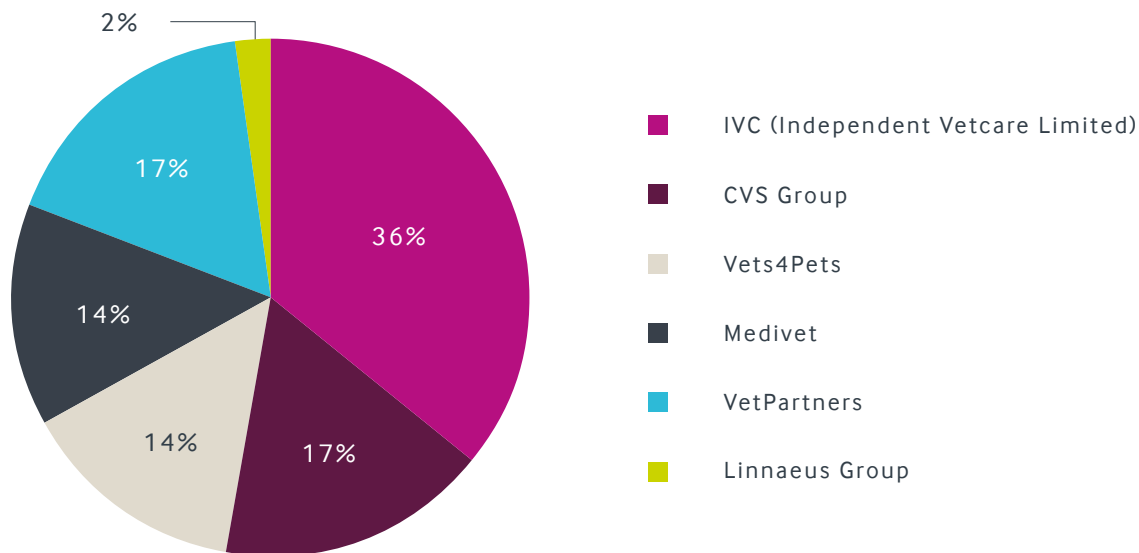
Practice ownership is segmented into two distinct categories: corporate practices and independent operators.

Over the past five years, there has been a notable increase in the number of independent practices acquired by corporate operators.

As reported by the Competition and Markets Authority (CMA), 89% of veterinary practices were independently owned in 2013, falling to circa 40% in 2024.

According to the RCVS, the top six corporate groups now own in the region of 3,000 practices in the UK, which equates to circa 56% of all veterinary practices.

TOP UK CORPORATE VETERINARY GROUPS



Source: This data has been sourced from the quoted company websites and is correct as of March 2024

In early September 2023, the CMA announced a review of veterinary services in the UK, highlighting five key concerns:

- 1 Consumers may not be given enough information to enable them to choose the best veterinary practice or the right treatment for their needs
- 2 Concentrated local markets, in part driven by sector consolidation, may be leading to weak competition in some areas
- 3 Large corporate groups may have incentives to act in ways which reduce choice and weaken competition
- 4 Pet owners might be overpaying for medicines or prescriptions
- 5 Regulatory framework is outdated and may no longer be fit for purpose

The consultation closed on 11 April 2024. The CMA will now consider the responses received and a decision will be made on how to proceed. Depending on the outcome, the review has the ability to dramatically alter the market.

Christie & Co will summarise the findings in due course and analyse what impact and changes this might have on the market.

MARKET COMPOSITION

TOTAL NUMBER OF VETERINARY PRACTICES IN THE UK

NORTHERN
IRELAND

174
practices

SCOTLAND

450
practices

ENGLAND

4,406
practices

WALES

301
practices

Source: RCVS



Total number
of veterinary
practices in
the UK:
circa 5,331

OPERATIONAL REVIEW

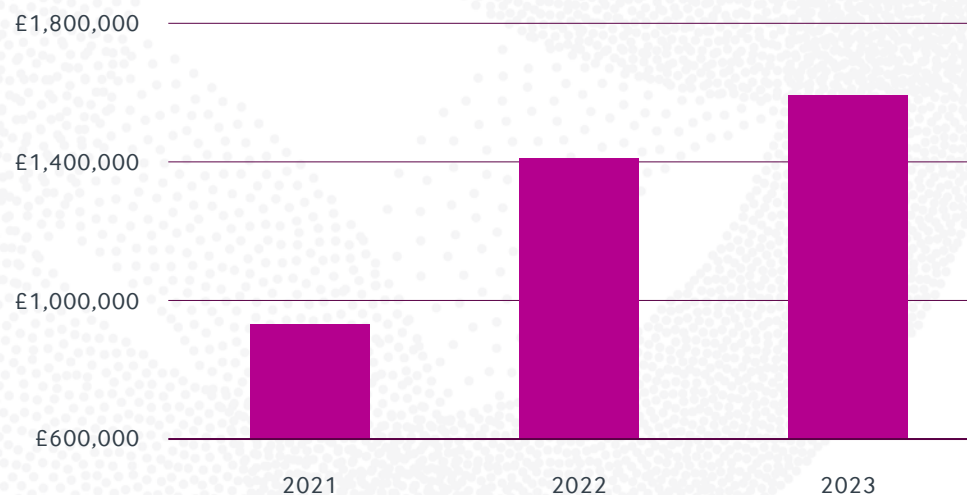
BUSINESS VALUES

There has been considerable growth in the veterinary sector in recent years, both in demand and value. This can be attributed to a stark increase in animal ownership figures, and the consequential requirement for veterinary services, which has led our data to show a circa 71% increase in the average value of practices Christie & Co valued between 2021 and 2023.

71%

increase in the average value of practices
Christie & Co valued since 2021

AVERAGE BUSINESS VALUE



Source: Christie & Co Valuation Services data

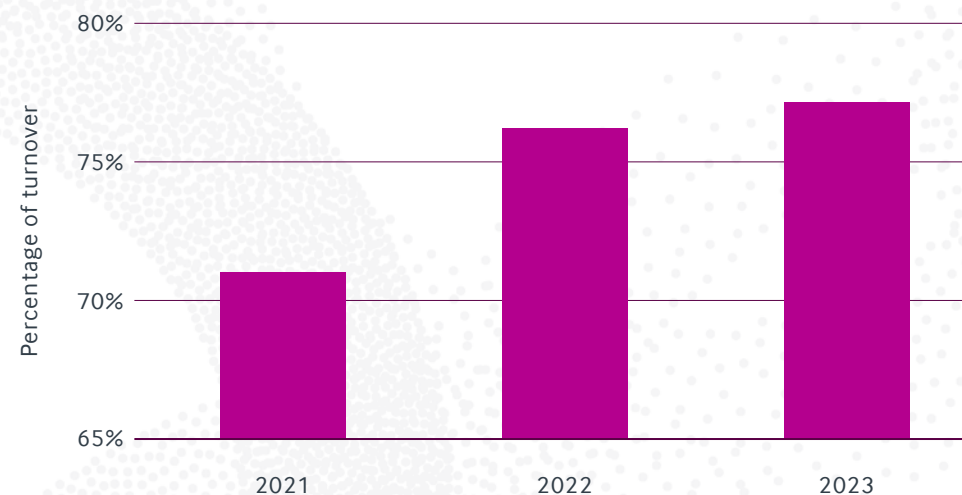
GROSS PROFIT MARGINS

Average Gross Profit Margins have also shown growth between 2021 and 2023.

This trend is a direct contrast to many other operational businesses that have seen gross margin compressions as a direct result of ongoing economic challenges. Following an impressive 5% rise between 2021 and 2022, Gross Profit Margins appear to be stabilising with just 1% growth demonstrated in 2022/2023.

Christie & Co data shows that the majority of UK veterinary practices have managed to combat profit erosion, demonstrating competent management alongside unwavering demand for veterinary services. Operators have been able to put the cost of economic pressures onto the consumers with little consequence.

AVERAGE GROSS PROFIT MARGIN



Source: Christie & Co Valuation Services data

OPERATIONAL REVIEW

WAGE COSTS

Average Wage Costs have been steadily increasing year-on-year which mirrors trends seen in the wider economic market, such as the National Living Wage (NLW) increases and staff shortages, which have impacted the veterinary sector.

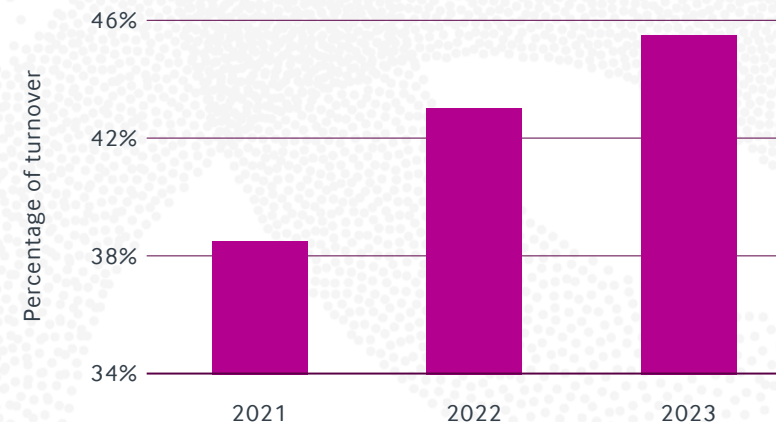
Brexit has also had an impact on the veterinary workforce, as 2021 data by the Royal College of Veterinary Surgeons (RCVA) revealed that 29% of the current total UK veterinary workforce graduated in the European Union (EU).

The body also revealed that the number of EU registrants coming to work in the UK veterinary sector fell by 68% between 2019 and 2021.

As a result, operators are having to pay higher wages for veterinary surgeons in order to expand their services and ultimately increase their practice values. Smaller independents have arguably felt the squeeze more than corporate operators, many of whom have been able to attract staff through significant capital investment and incentives.

This graph shows the combined average wage costs for fully-managed and owner-led practices. The operational landscape of the practice is a key consideration in understanding the true and sustainable wage cost, so it's important to note here that where a veterinary owner is working in the practice, the subsequent wage cost is lower, and vice versa for fully managed, often corporate-led, practices.

AVERAGE WAGE COST



Source: Christie & Co Valuation Services data

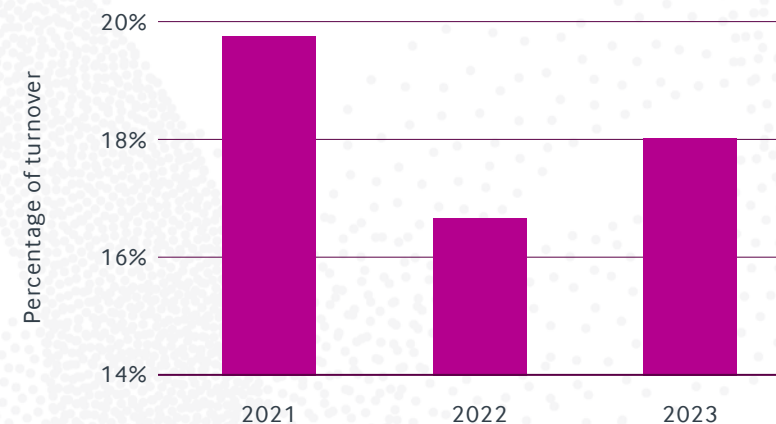
EBITDA

Looking at both owner-operated and managed practices, the average EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) between 2021 and 2023 reflects circa 18%.

Depending on the operational landscape, we have seen owner-operated practices achieving a three-year average of circa 24% and managed practices at circa 16%.

This graph indicates an average fall between 2021/2022, which almost directly correlates with the considerable increase in wage costs between these periods. EBITDA levels increased between 2022/2023 as practices have successfully increased their top line turnover levels through increased fees, thus combating profit erosions and counterbalancing the increases in NLW increases and staff shortages.

AVERAGE EBITDA



Source: Christie & Co Valuation Services data

The average EBITDA between 2021 and 2023 reflects circa

18%

OUR RECENT VALUATION ACTIVITY

WALES

Owner-operated practice servicing small and large animals. Valued for Loan Security purposes to support a transaction

SOUTH WEST

Owner-operated practice with mixed income streams including veterinary services, rescue centre, pet crematorium, and grooming and boarding. Valued for refinancing purposes

Through Christie & Co's Valuation activity, we have seen a range of multiples from 3.75x up to 8.5x to support refinancing and independent M&A. With regards to corporate led M&A, we have seen group transactions leading north of 10x through cash injections and private equity.

MIDLANDS

Owner-operated practice servicing small animals. Valued for refinancing purposes

SCOTLAND

Valuation of a small animal veterinary practice. Valued for Dispute Resolution purposes

NORTH EAST

Independent group established over 100 years ago comprising 8 managed practices that service small animals and offer 24-hour emergency care. Valued for refinancing purposes

YORKSHIRE

Group of 12 managed practices servicing small animals as well as exotic small animals. Valued for refinancing purposes

EAST ANGLIA

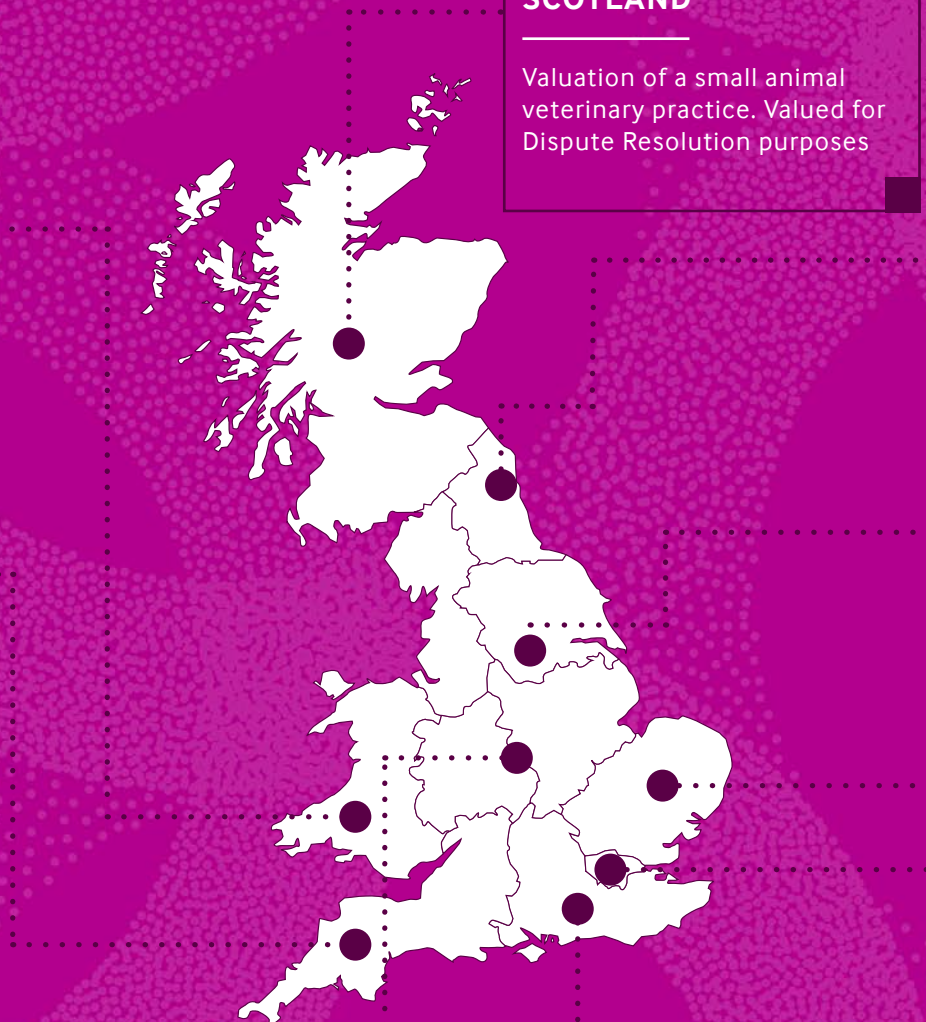
We advised on an internationally acclaimed equine hospital, which is fully equipped with advanced facilities to treat a variety of equine, ranging from elite athletes to wild rescue ponies

SOUTH EAST

We provided advice in relation to a renowned veterinary hospital, which provided state-of-the-art services and specialised in rehabilitation, orthopaedic and neurology

LONDON

Valuation of 15 veterinary practices for CMA purposes



MARKET PREDICTIONS FOR 2024/25



The CMA will publish its review of veterinary services in the UK which we expect will lead to reduced corporate M&A within the short to medium-term. This may result in the divestment of existing corporate portfolios and, as a result, growth of the independent sector within the small to medium regional groups



Financial institutions will closely monitor the CMA process and funding is likely to remain readily available across traditional high street banks and private equity sources



Continued growth within UK pet ownership will lead to further demand for veterinary services, although the cost-of-living crisis may impact the amount pet owners are willing to pay and how much practices are able to charge for traditional services



We anticipate a continued hangover from BREXIT with regards to the national shortage of veterinary surgeons and nurses. This will likely result in increased costs for staff retention. It is yet to be seen how practices will manage these additional costs, but it is likely going to be put on the consumer



Many veterinary practices will seek to diversify and offer more specialist services to capture a larger patient base and increase turnover levels



Advances in technology and Artificial Intelligence (AI) may impact the veterinary market, but to what extent is yet to be seen



With a large proportion of high street banks invested in the market, we expect a continued need for professional advice and services within the sector



With interest rate increases in 2023, we saw a rise in refinancing, with 51.5% of all veterinary valuations completed since the start of 2023 being for refinance purposes. This trend appears to have continued into 2024 with 44.4% of all medical valuations undertaken in Q1 being for refinancing purposes. We anticipate further bank activity in 2024

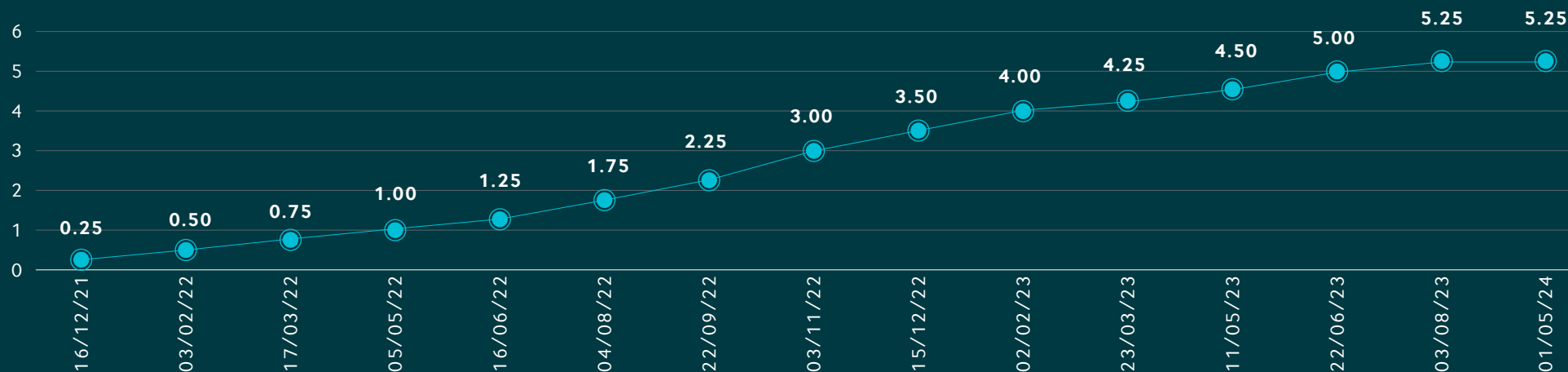
THE FINANCE LANDSCAPE

Interest rates were a key focus throughout 2022 and 2023, with 14 consecutive monthly rises resulting in a stabilised rate of 5.25% in August 2023 – the highest in the UK for 15 years. A modest reduction in base rate during the latter part of 2024 looks likely, however the days of ultra-low borrowing costs are unlikely to return, with a normalised base rate in the 3.5% to 5% range looking increasingly likely in the years ahead.

Increased borrowing costs, coupled with inflationary pressures and staff shortages, creates a challenging environment however evidence from finance broker Christie Finance's client base shows significant operational resilience as businesses adapt to the changing economic climate.

Lenders are naturally more cautious in times of increased uncertainty, and the increase in borrowing costs obviously impacts the affordability of debt and the general level of debt available. Whilst traditional high street lenders remain broadly positive towards the veterinary sector, we continue to see a general dilution of appetite from the big banks, with approximately 70% of our total debt being provided via specialist lenders, challenger banks and niche funds that are often only accessible via specialist brokers such as Christie Finance. In 2023 we successfully secured business finance from 53 different funders.

INTEREST RATE STABILISES AFTER 14 INTEREST RATE RISES IN A ROW



Source: Bank of England, Official Bank Rate History

RCC Business Mortgages plc, trading as Christie Finance, is authorised and regulated by the Financial Conduct Authority. Our Firm Reference number is 709982. Not all types of business we undertake is authorised and regulated by the Financial Conduct Authority. Christie Finance operate as an intermediary and are not a principal lender.

CHRISTIE & CO: OUR PROFESSIONAL SERVICES

Christie & Co is regulated by the RICS (Royal Institution of Chartered Surveyors), all of our valuers are RICS registered.

Our Valuations team provides services across the whole of the veterinary market, across leasehold goodwill and freehold property values.

WE OFFER A FULL RANGE OF PROFESSIONAL SERVICES TO INCLUDE:

- RICS-accredited valuations for loan security
- Commercial due diligence, market studies, and performance benchmarking
- Lease advisory services
- Investment brokerage and advice
- Finance raising for acquisition, refinance, unsecured, and asset finance
- Dispute Resolution Services
- Brokerage Services
- Consultancy Services

Each year, our team completes valuations of thousands of properties across the UK and Europe. Working closely with our transactional colleagues, who sell over 1,000 businesses each year, we draw on current market sentiment and comparable evidence.

On average, our team values or advises on over £10 billion of property every year, making us one of the most active valuers in our markets.

This is across the whole spectrum from single properties through to inspecting portfolios, in excess of 2,000 properties.

With access to comprehensive market data, our valuers are in a unique position to benchmark both the business' performance and property value ensuring their reports and professional advice are always well researched and informed.

We are recognised as leading valuers by high street banks as well as most of the other specialist lending institutions. In addition, we work with many of the large European banks and a number of North American and global financial institutions. Much of the work we undertake is for loan security, accounts and balance sheet, acquisition, disposal, dispute resolution, statutory compensation and taxation purposes.

WE'VE RECENTLY ACTED FOR:



NatWest



Pennard Vets
beyond the ordinary



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