



THE ANIMAL HEALTH INDUSTRY'S LEADING SUPPLIER OF "ACTIONABLE" BUSINESS INTELLIGENCE

Animalytix 2021 Senior Executive Forum

February 16, 2021

Data for today's presentation was provided by :

Animalytix LLC

Axxiom Consulting

VetWatch.com partners

And multiple special guest contributors ...



Animalytix

The Animal Health Industry's Leading Provider of Actionable Market Intelligence

info@Animalytix.com

Animalytix by the Numbers for 2020

- \$ 70,000,000,000+ in historical sales data for the US & Canada
- 55,000,000+ transactions processed annually
- \$ 9,900,000,000+ in moving annual total sales reported
- 2,000,000+ unique “ship_to” locations
- 250,000 distributor SKU cross –references established
- 12,000+ unique products reported
- 2,500+ territory reports published monthly
- 550+ manufacturers represented
- 40+ reporting categories
- 60+ total data providers
- 30+ Smart Sort™ customer segmentation categories



A Special Thanks to Our Network of Data Providers

**Thanks Also to
our VetWatch
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www.vetwatch.com

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Vetnosis Animal Health Industry Review 2019

September 2020



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Delivering commercial insight to the global animal health industry
www.vetnosis.com



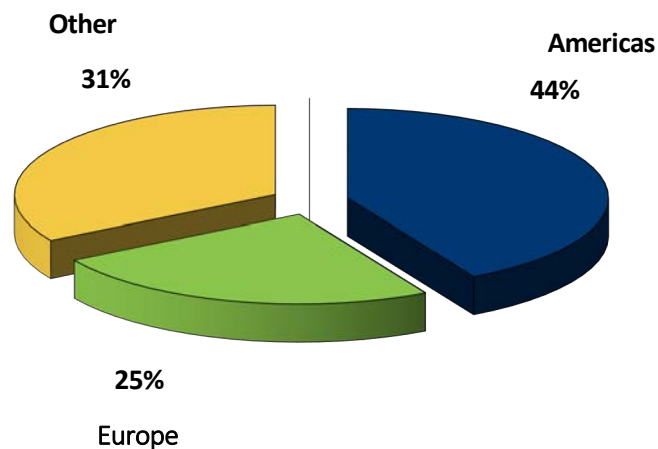
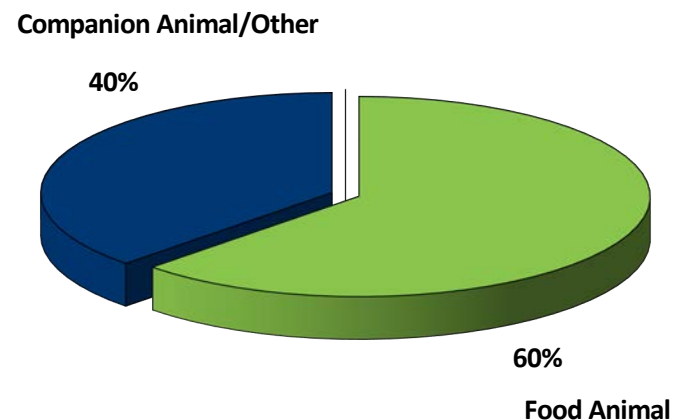
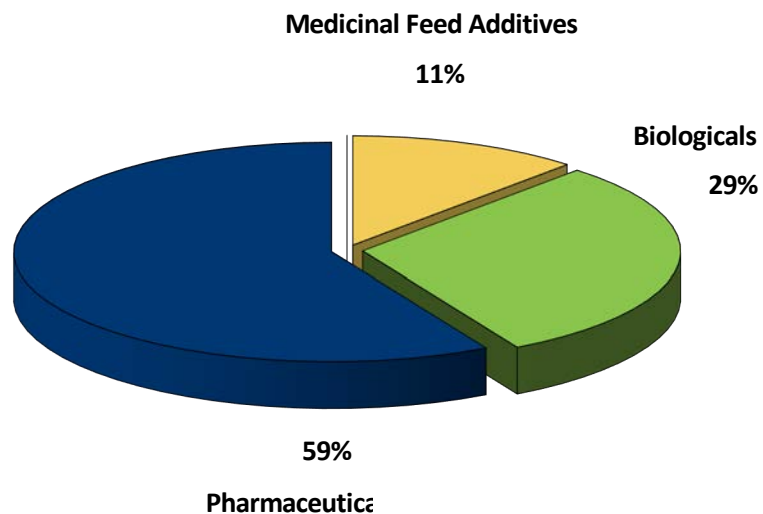
2019 Animal Health Industry

US\$ 32.9 billion

Nominal growth (-1.3%)

Source: Vetnosis

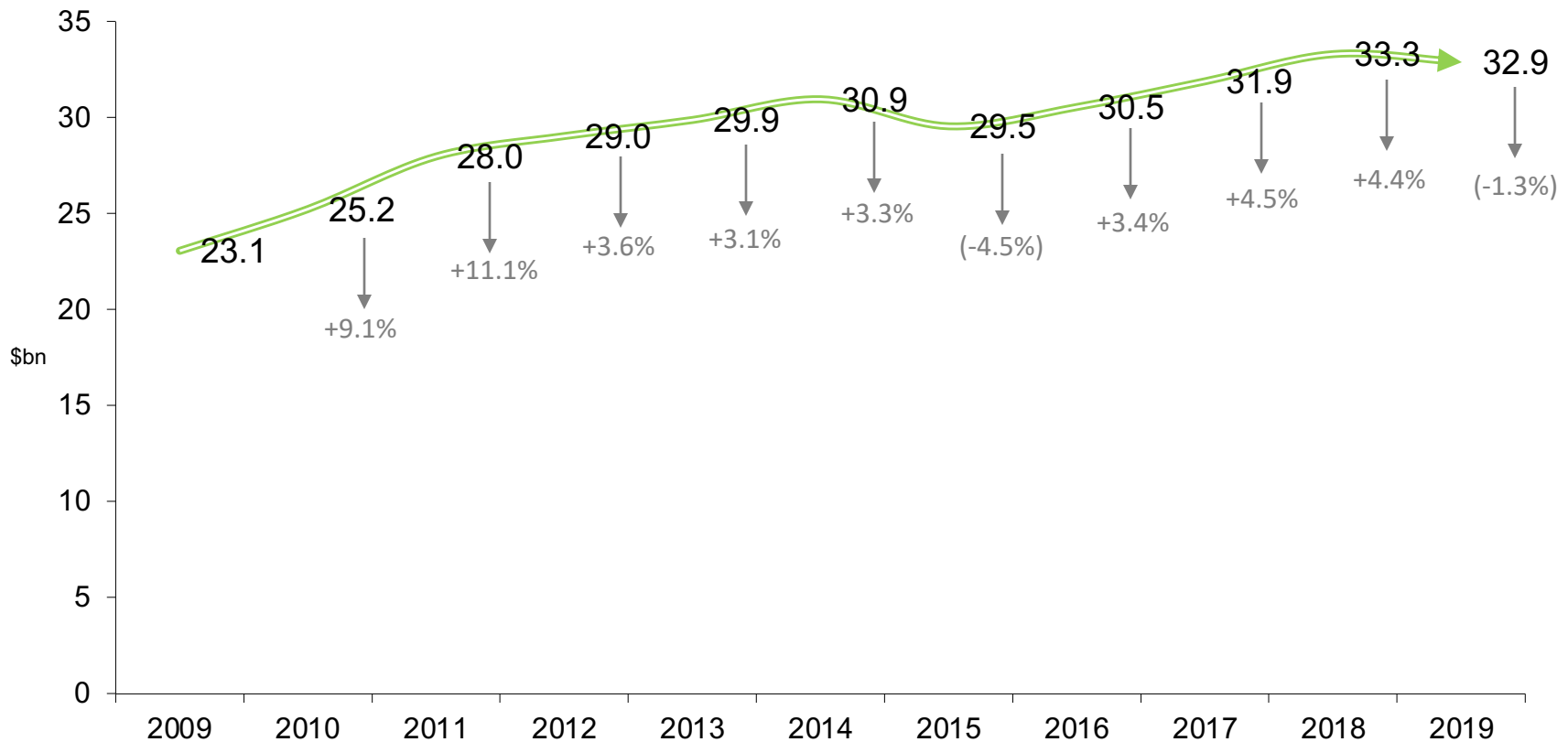
Animal Health Market by Product Group, Region & Species



Source: Vetnosis

Global Animal Health Market

(ex-manufacturer net sales in Nominal US\$ terms)



Source: Vetnosis

Key factors: significant negative currency (FX) effects; flat volume growth; Far East and global swine contractions due to ASF

Animalytix LLC

Established 2010

**“Celebrating 10 Years of
Service & Partnership with
the Animal Health Industry”**



A retrospective look with special thanks to



A Ten-Year Retrospective ...

Mergers & Acquisitions in 2010 (part 1)



- Sanofi-Aventis & Merck Co. announces potential merger of Intervet / Schering-Plough AH and Merial to create “Merial Intervet,” world’s largest AH business with combined sales of +\$5 billion and 14,000 employees
- CEVA Sante Animale / Ceva Animal Health announces agreement with Sumitomo Corporation to acquire a majority share of Sumitomo’s AH subsidiary, Summit VetPharm, LLC and its flagship parasiticide brand, Vectra
- Bayer AH announces plans to sell Advantage and Advantix through Internet sites and pet specialty retailers, acquires chewable formulation technology & late-stage development products from Piedmont Pharmaceuticals
- Dechra Veterinary Products acquires Dermapet’s global veterinary business
- Pfizer Inc. announces acquisition of King Pharmaceuticals and its Alpharma medicated feed additives division; Pfizer Animal Health acquires Synbiotics and enters veterinary diagnostics sector

A Ten-Year Retrospective ...

Mergers & Acquisitions in 2010 (part 2)



- Professional Veterinary Products (PVPL), the nation's only veterinarian-owned distributor with annual revenues of ~ \$250 m files for bankruptcy
- Webster Veterinary acquires ProVet to establish a west coast and mountain presence and Columbus Serum to have presence in the Midwest; also announces a strategic partnership & equity investment with VetSource
- Henry Schein, Inc. and Butler Animal Health Supply form Butler Schein Animal Health, a new company that combines Butler Animal Health Supply and Henry Schein's U.S. Animal Health businesses with combined revenues of ~ approximately \$850 million
- VCA Antech, Inc. acquires PET DRx Corporation with 23 animal hospitals with annual revenue of approximately \$64.0 million
- MWI Veterinary Supply, Inc. expands ex-USA by acquiring Centaur Services Limited, in the United Kingdom

A Ten-Year Retrospective ...

The Issues Facing the Vet Profession in 2010



A recent survey of veterinary clinics indicated the following concerns:

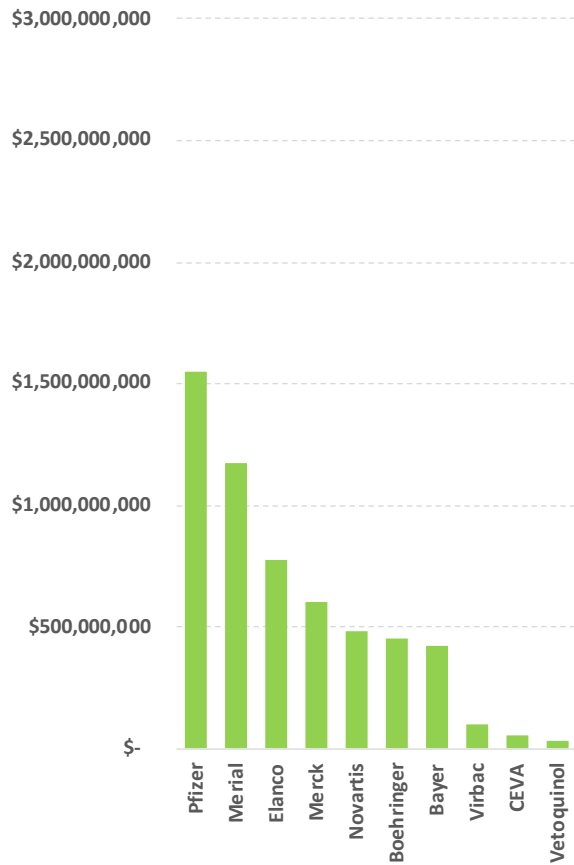
1. The economic downturn and the long-term impact of a continued recession
2. The increase in OTC / online sales of products that have traditionally gone through the clinic (*Bayer moving Advantage into the OTC market in 2010 will be telling*)
3. The long-term concern in regards medical liability as the “humanization” of animals continues and animal “rights” movements push forward
4. The launch of companies like Vet Centric and Vet Street, as well as initiatives by many distributors, to allow the veterinary clinic to be competitive with Pet Med Express seem to be well received however these are still in their infancy and long-term impact remains to be seen

A Ten-Year Retrospective ...

Leading US AH Companies 2010 vs 2019

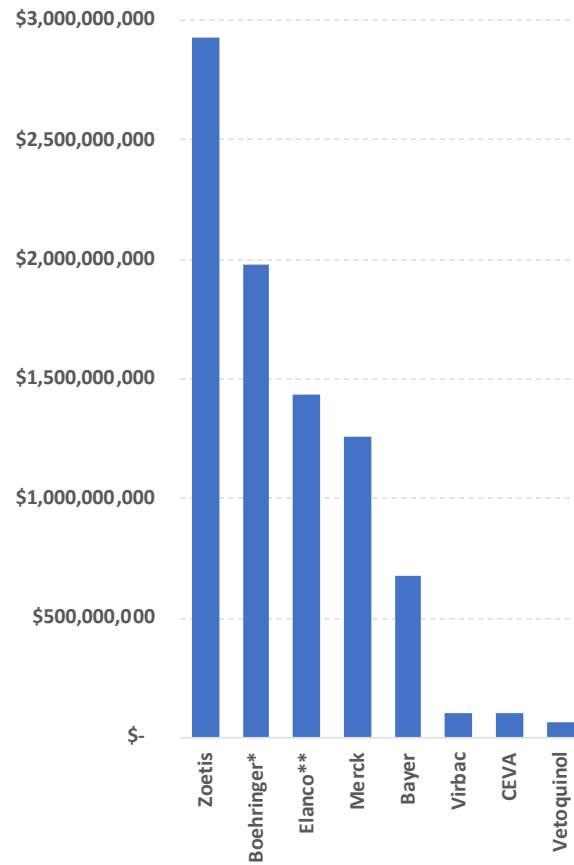


Review of Leading US Animal Health Companies in 2010



\$ 5.7 billion

How Those Same Companies Performed in 2019



\$ 8.5 billion (+49%)

2010 Sales for 10 leading US animal health companies totaled ~ \$5.7b

By 2019, those companies reached sales of ~ \$8.5b, an increase of 49%

Sales among the top 4, increased by 85% to ~\$7.6b

Results include the BI / Merial & Elanco / Novartis consolidations as well as other acquisitions made during the period.

Axiom

2020 Year in Review

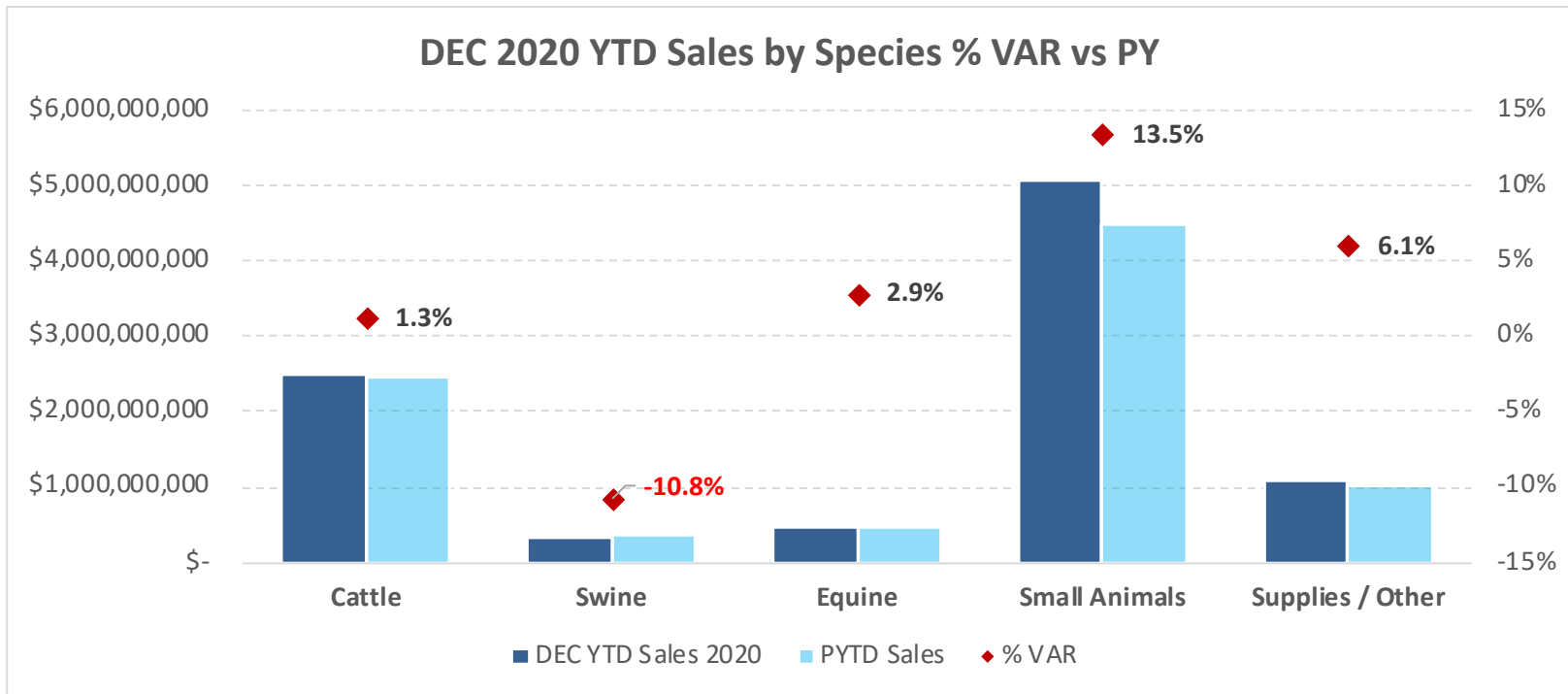
Key Segment Analysis

Share of market activity

Changes in the activity of the active and passive market is uncertain. Established positive trends in passive market are

Distribution of the securities market key players

Sales Across Segments Grew 7.6%; Driven by Small Animal & Supply Category Performance

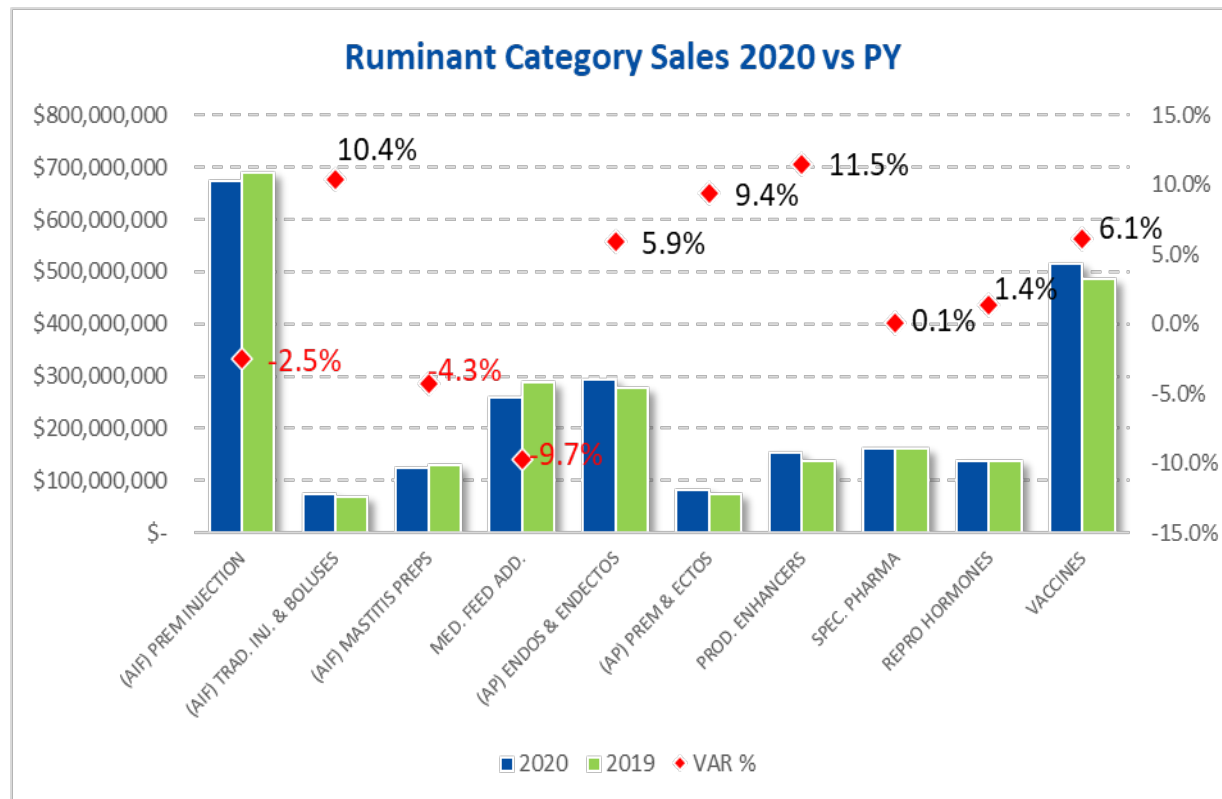


Small Animal product sales which were up 8% through JUL continued to accelerate and closed the year up 13.5%; equine sales were up slightly at 2.9%

Cattle sales were marginally improved at 1.3% while swine products continued to struggle, down (-10.8%); supplies were also robust at 6.1% growth

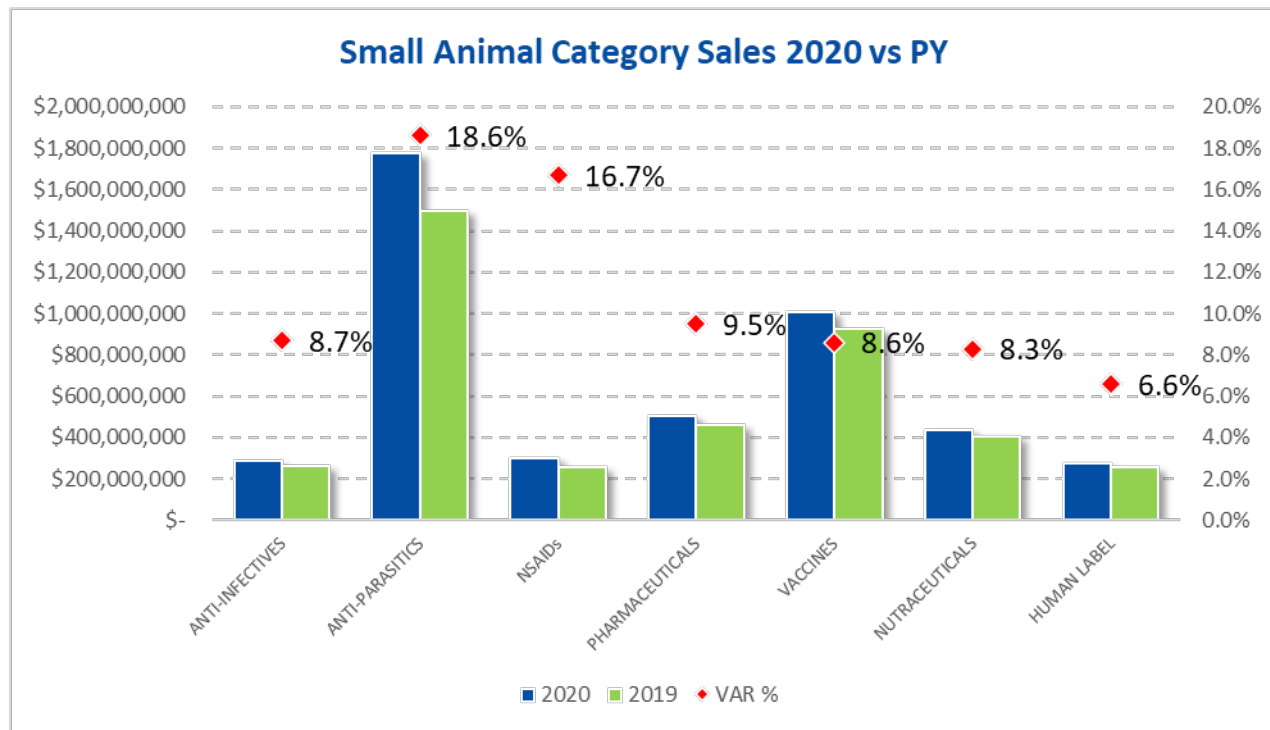
Vaccine & Parasiticide Sales Offset Weak Anti-infectives & Feed Additives; 1.3% in Total Cattle Sales for 2020

- Feedlot sales suffered due to supply chain disruptions, impacting sales of anti-infectives and medicated feed additives; despite this, implant sales were robust at 11.5% growth
- Cow-Calf and Dairy sales were more robust with low single digit growth, which strengthened sales of parasiticides, vaccines, and traditional anti-infectives (pen/tet)



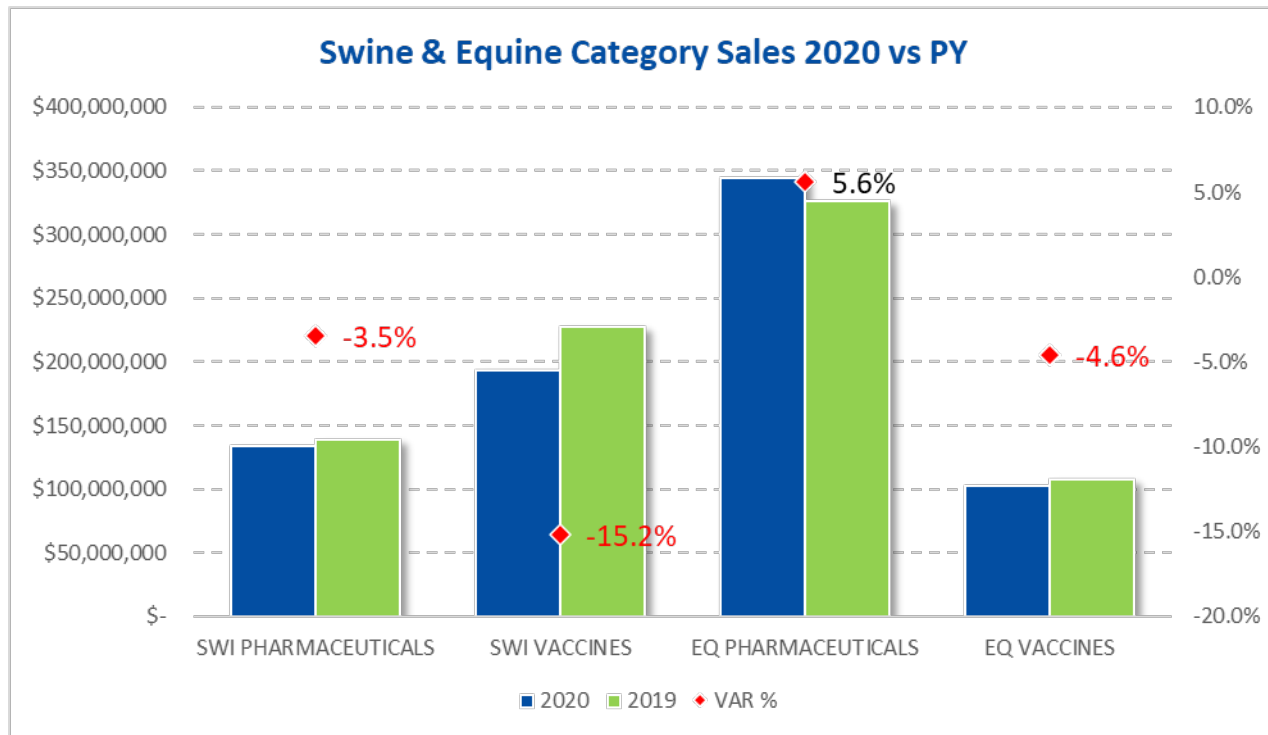
Small Animal Product Sales Were Strong Across Multiple Segments with Growth of 13.1% for the Year

- Anti-parasitics & NSAIDs lead all segments with double digit growth; specialty pharma also strong at 9.5% growth
- Vaccines, nutraceuticals and anti-infectives were also robust with growth of 8-9%
- Human pharma sales lagged other categories at 6.6% growth



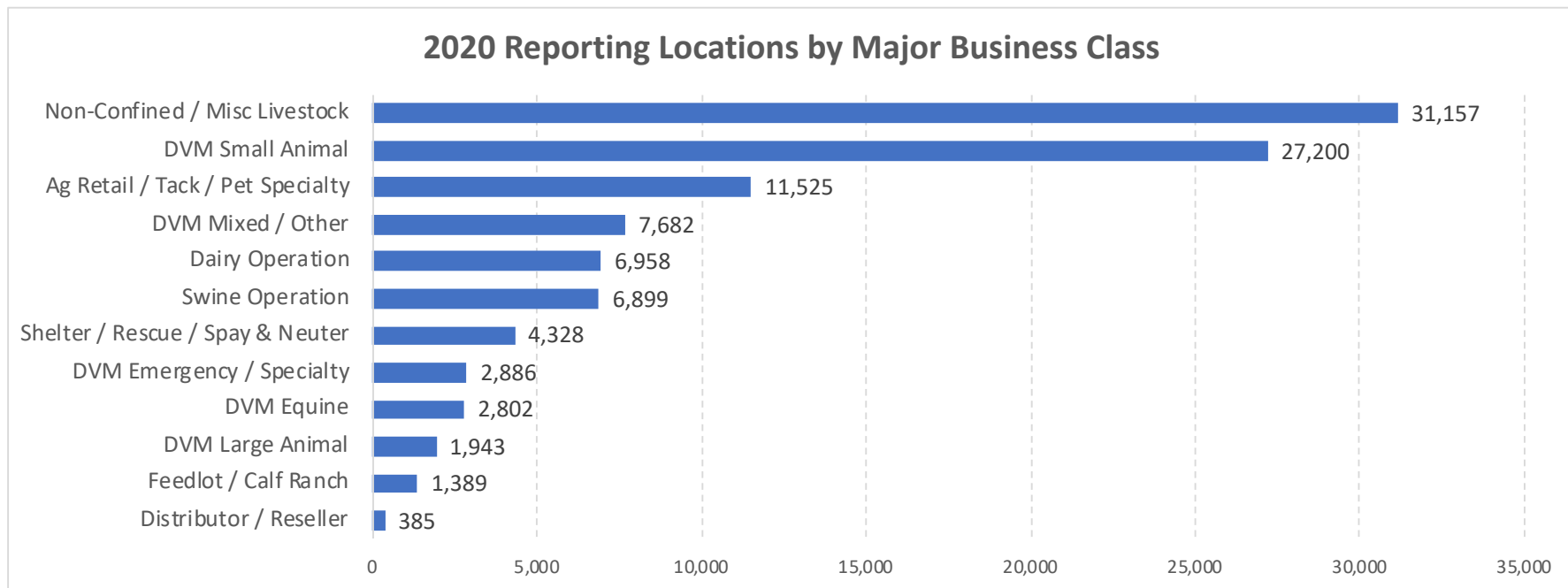
Swine and Equine Segment Sales Realized (-10.8%) and +2.9%, Respectively, in Net Growth vs 2019 Results

- Swine vaccines were especially hard hit at (-15.2%) as production adjustments were made to address supply chain challenges
- Equine vaccine losses of (-4.6%) were more than offset by pharma growth of +5.6% for a net effect of 3.0% growth in equine products for the period



Smart Sort™ Customer Segmentation Analysis

Animalytix Smart Sort™ Segmentation Analysis Offers Perspective by Channel



Each month, Animalytix produces a 36-month summary of sales across 40+ categories of pharmaceuticals, vaccines, nutraceuticals, veterinary supplies and other animal health related products

The number of reporting locations for 2020 by major business segment for the primary veterinary, livestock and retail segments are as shown above.



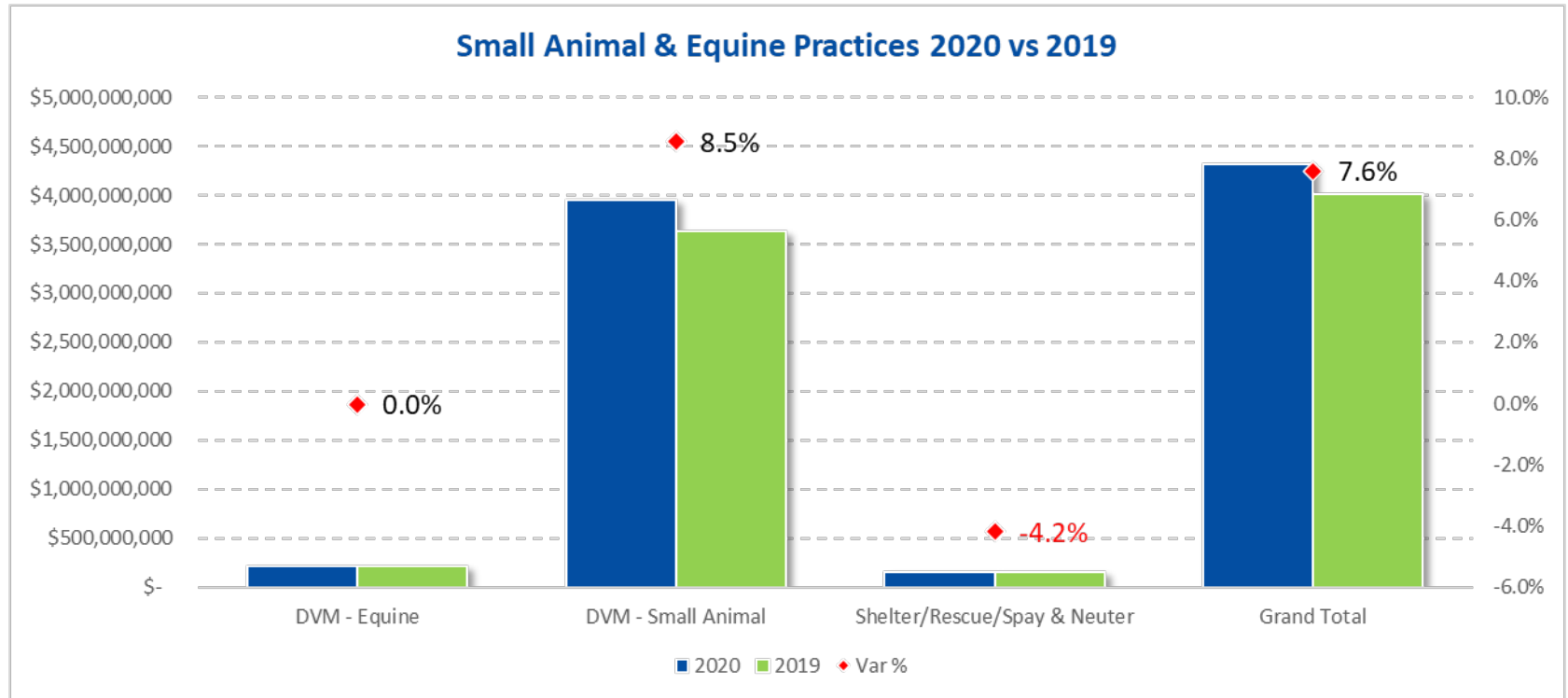
2020 Sales by Species & by Channel Were Lead by Small Animals (\$5.1 billion) & DVMs (47% of Total)

2020 Sales by Bus Class / No Consumers	Ruminant	Swine	Equine	Small Animal	Sup / Other	% of Total Sales
DVM Small Animal	1.4%	1.2%	11.4%	74.7%	52.4%	47.1%
Ag Retail / Tack / Pet Specialty	10.6%	6.0%	19.2%	5.7%	5.2%	7.6%
Feedlot / Calf Ranch	23.4%	1.9%	0.2%	1.0%	1.8%	7.0%
DVM Large Animal	18.1%	9.8%	3.8%	1.3%	2.2%	6.3%
Dairy	16.6%	0.3%	0.4%	0.6%	4.8%	5.3%
DVM Mixed / Other	4.8%	1.9%	10.4%	4.5%	4.5%	4.8%
Non-Confined / Misc Livestock	13.3%	3.9%	1.2%	0.4%	1.8%	4.1%
DVM Emergency / Specialty	0.2%	0.2%	1.3%	3.9%	13.4%	3.8%
Distributor / Reseller	6.4%	2.7%	4.2%	2.6%	1.1%	3.5%
Swine Operation	2.4%	69.7%	1.7%	0.1%	1.6%	3.4%
Other	2.1%	2.4%	12.5%	1.5%	4.8%	2.6%
DVM Equine	0.6%	0.1%	33.0%	0.8%	2.6%	2.5%
Shelter / Rescue / Spay & Neuter	0.1%	0.0%	0.6%	2.9%	4.0%	2.0%
Grand Total	26%	3%	5%	54%	12%	100%
	\$ 2.50 billion	\$.33 billion	\$.45 billion	\$ 5.10 billion	\$ 1.10 billion	\$ 9.5 billion

Of \$9.5 billion reported in 2020, small animal products total \$5.1b (54%) of total sales while ruminants contributed another \$2.5b (26%).

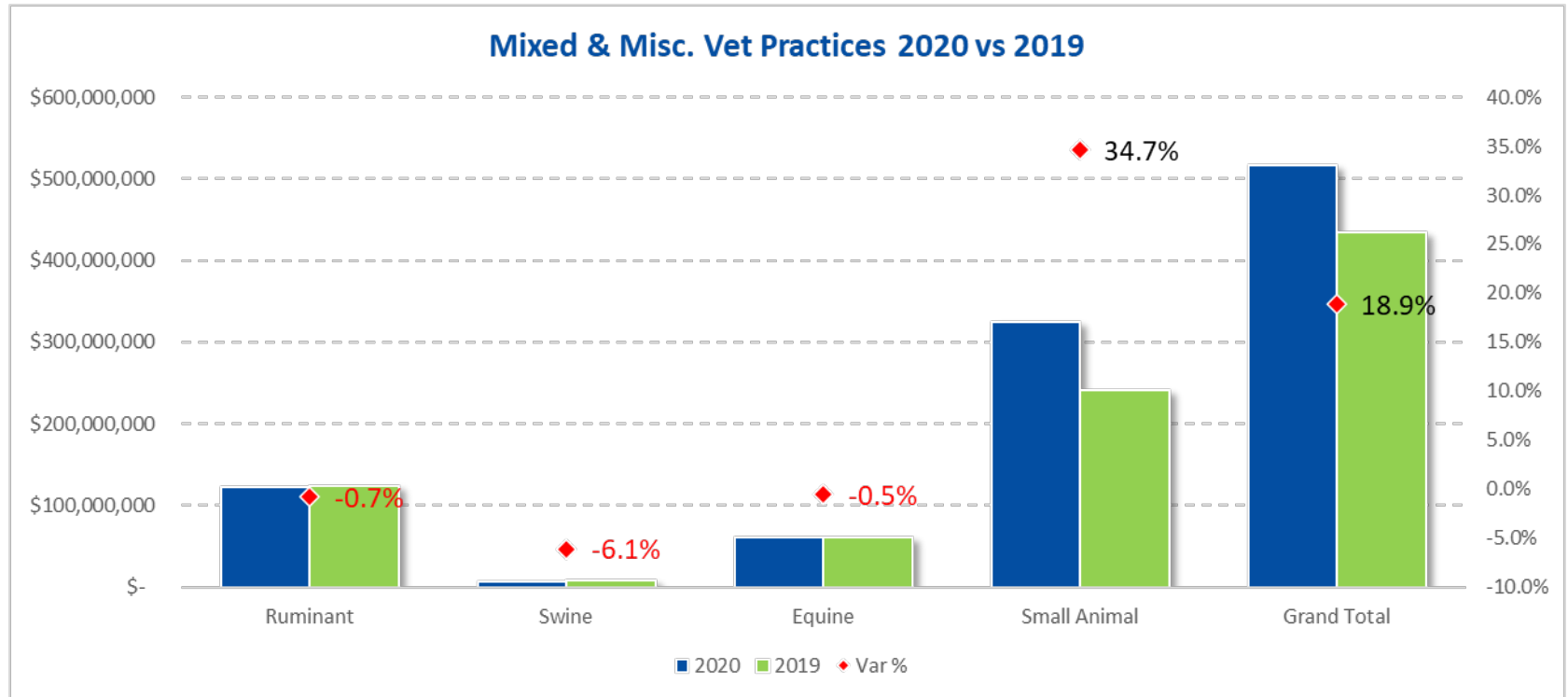
The ~ 30,000 DVM Small Animal and DVM Emergency & Specialty Practices combined for an additional \$4.8b in purchases, driving 50%+ of total purchases for the year

DVM Small Animal Practices Grew at 8.5% while DVM Equine Practitioners lagged at 0.0%



DVM Small animal practice purchases were robust across multiple categories with parasiticides, NSAIDs, and specialty pharma at or near double digit growth; shelters contracted (-4.2%) due to reduced throughput; weak vaccines sales impacted Equine DVMs

Growth of 34.7% in Pet Goods Purchases Powered Surge in Mixed Practice Purchasing Volumes for 2020

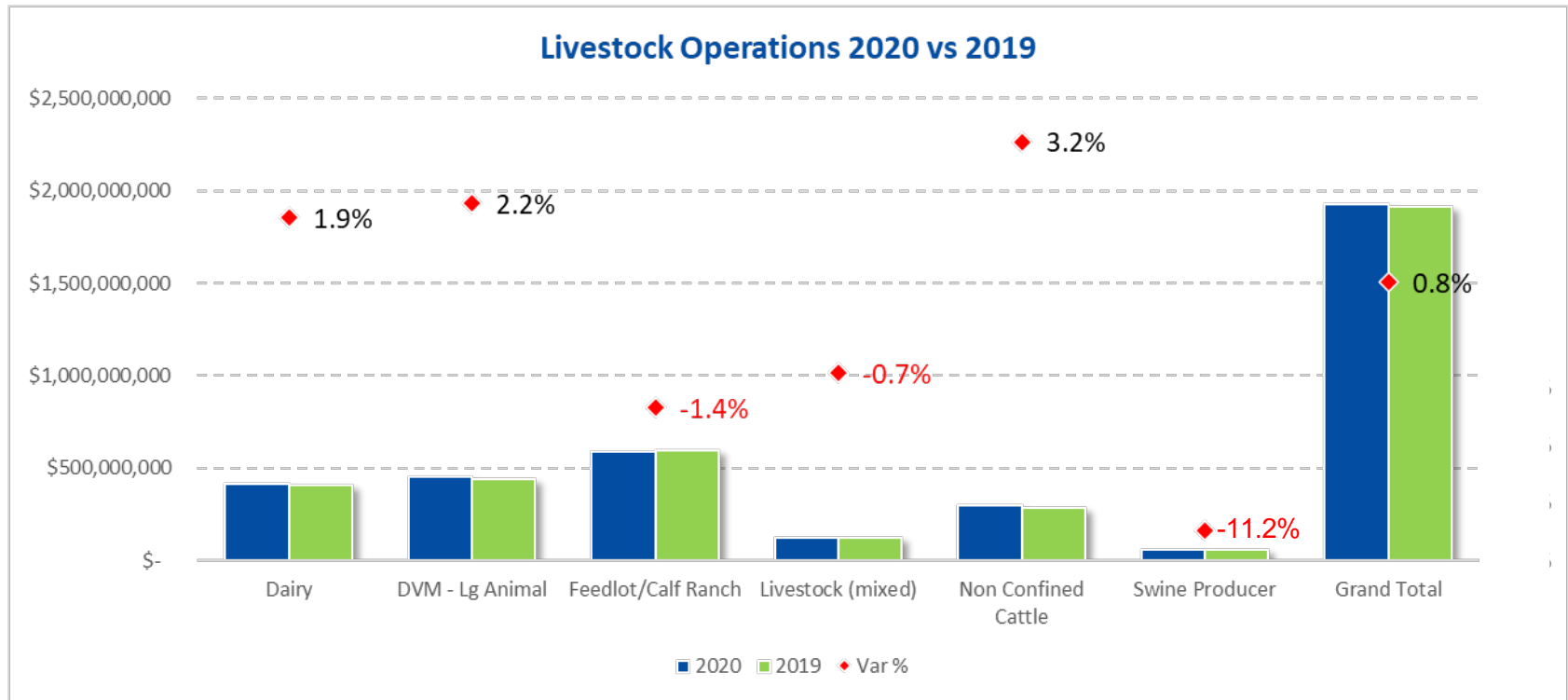


Mixed animal practices benefited from explosive growth in small animal volumes, off-setting losses in each of the other segments

Displaced customers, either those having relocated or those unable to connect with routine care providers contributed to the increase

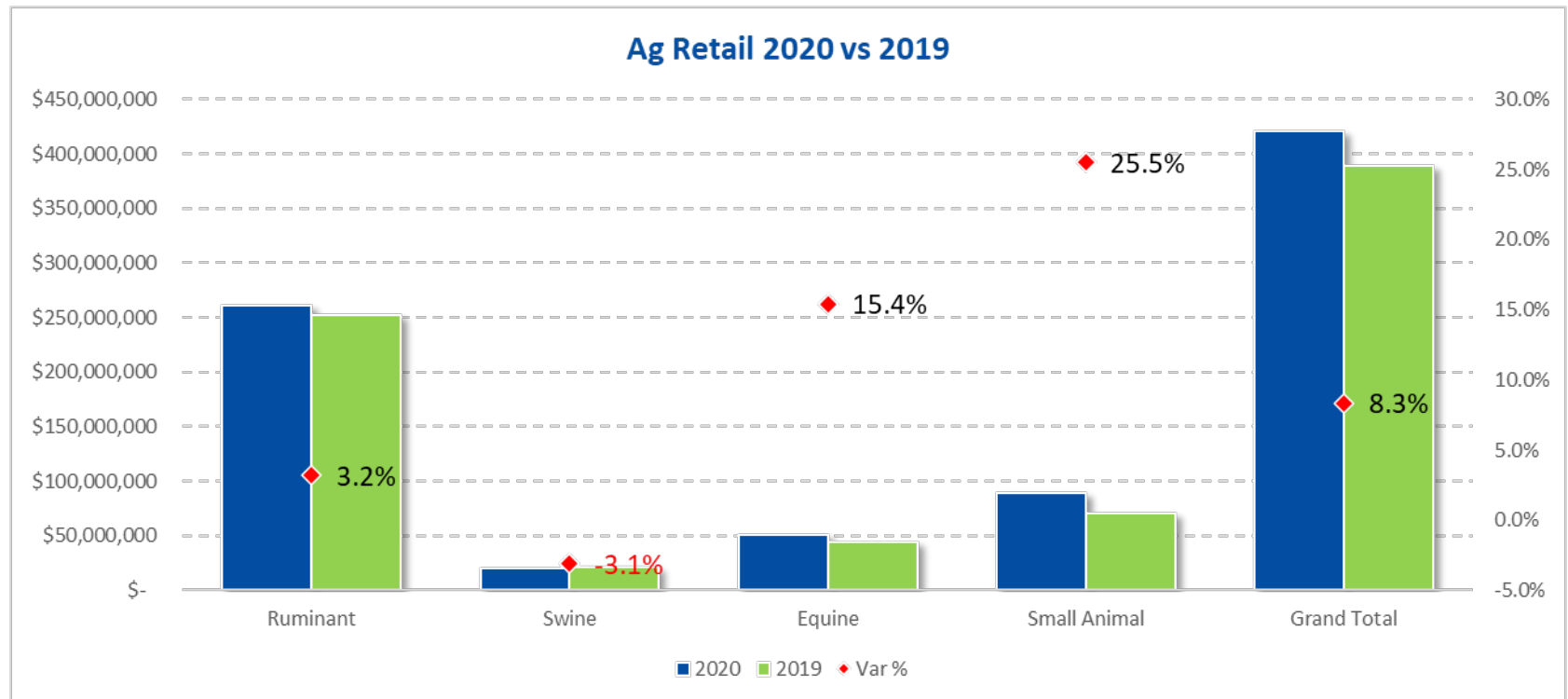


Non-Confined Cattle and DVM Large Animal Sales Rose Higher vs Other Livestock Sectors



Cattle markets were tepid @ +/- 2% growth in all sectors as anti-infectives & feed additives lagged while implants, vaccines and parasiticides drove growth; disruptions in the meat supply chain were material factors for cattle and in the swine sector which declined by (-10%).

Ag Retail Growth Was Strong for Small Animal and Equine, Both Ahead of Total Market Growth



Among nearly 9,000 Ag Retail locations, small animal and equine product sales growth was robust at +25.5% and +15.4% as consumers increased spending in the channel; ruminant growth was ahead of the market at 3.2% due to a favorable the mix of products and customers (paras & vax)

VetWatch Market Insights & Practice Metrics

www.VetWatch.com



The VetWatch Site Monitors the Impact of COVID-19 on the US Veterinary Marketplace



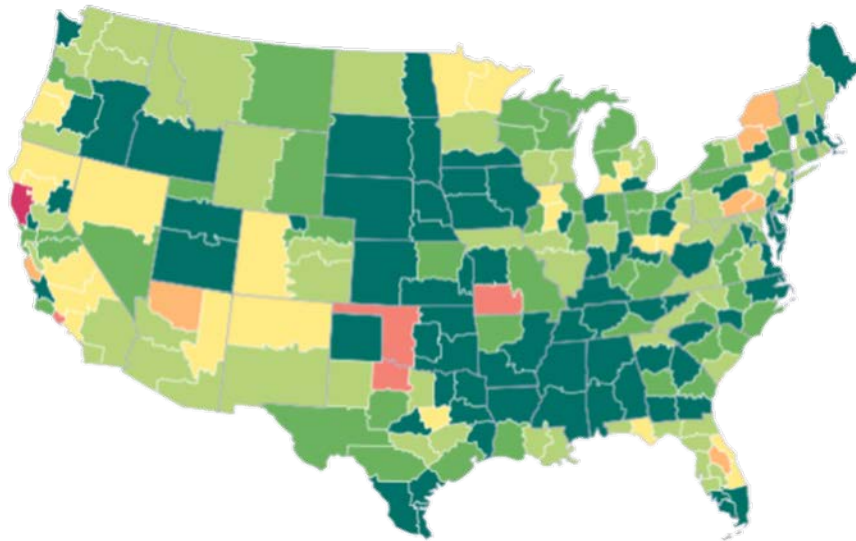
VetWatch was established to monitor the impact of COVID-19 on key veterinary business metrics

VetWatch monitors purchasing, patient and revenue trends of thousands of practices across 236 US geographic markets

The site is a joint initiative by Animalytix, NAVC, Greenline Pet, M/A/R/C Research, Packaged Facts, Animal Care Technologies, the United Veterinary Services Association, Circa Healthcare and the leading US animal health distributors.



VetWatch Utilizes Vetalytix And Census Bureau Models for Reporting Selected Practice Metrics & Trends

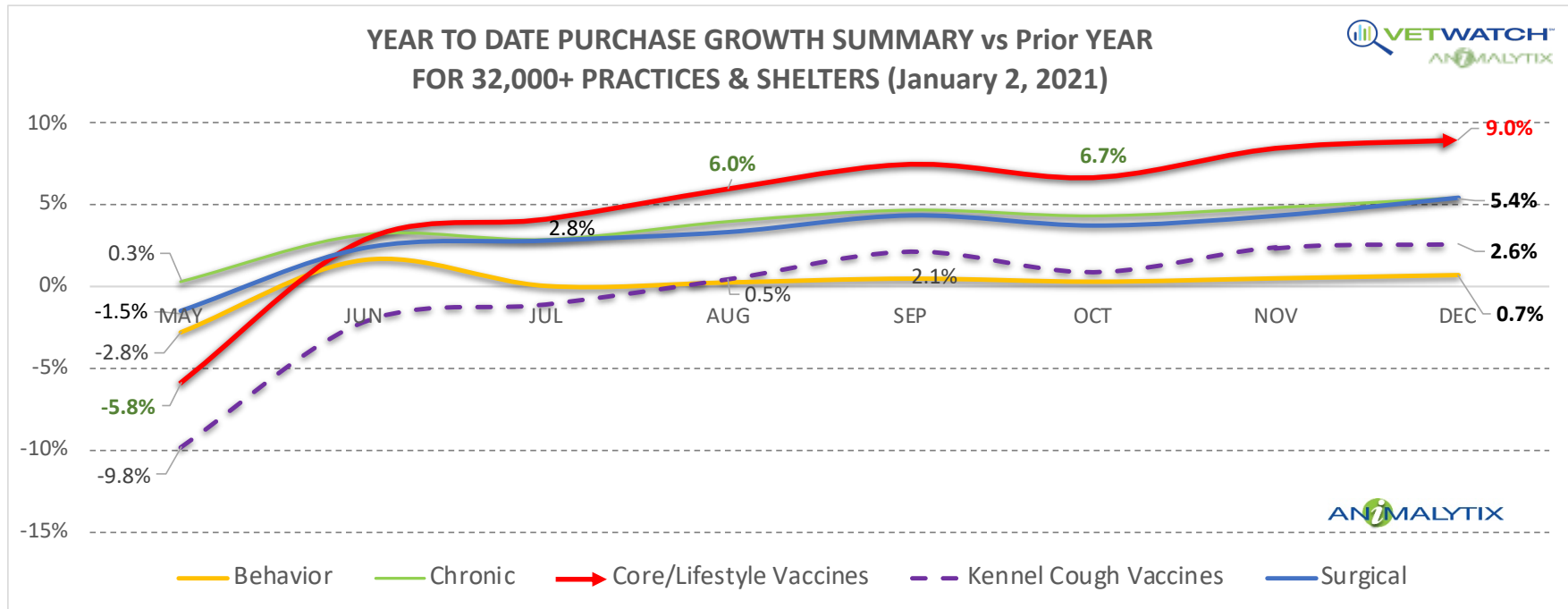


The Vetalytix reporting model utilizes 236 discrete US geographic markets which allows for analysis of local conditions as compared to national or regional results



The Census Bureau's 9 Region model offers a less detailed but still useful view of the market for the assessment of higher-level trending

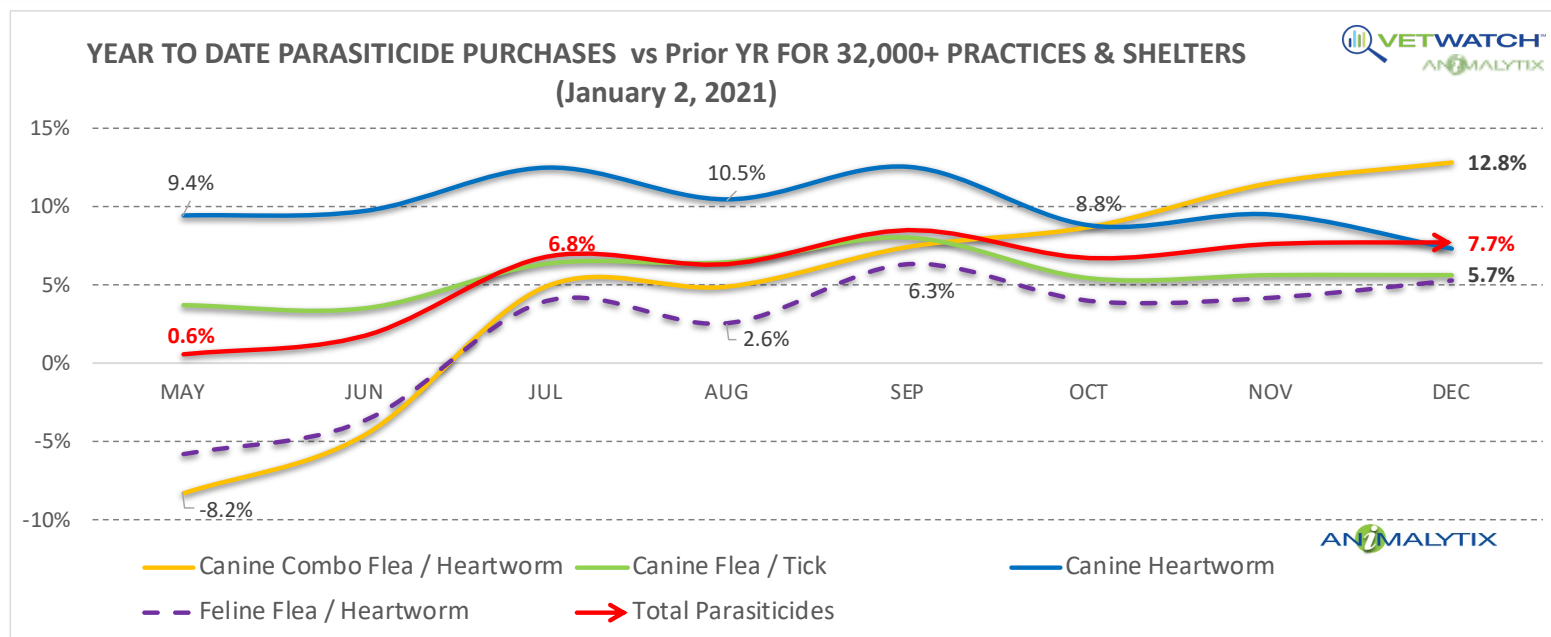
Core & Lifestyle Vaccine Surge as Chronic Meds & Surgical Purchases Reach Normal Range



Purchasing volumes for annual pet wellness (Core / Lifestyle) vaccinations declined dramatically through MAY but recovered sharply through DEC to +9%

Purchases of chronic care medications and surgical suite consumables were flat through JUL but recovered to reach +5% growth by year end

YTD Parasiticides Purchases by Veterinarians & Shelters Grew 7.7% in 2020 vs 2019 Results

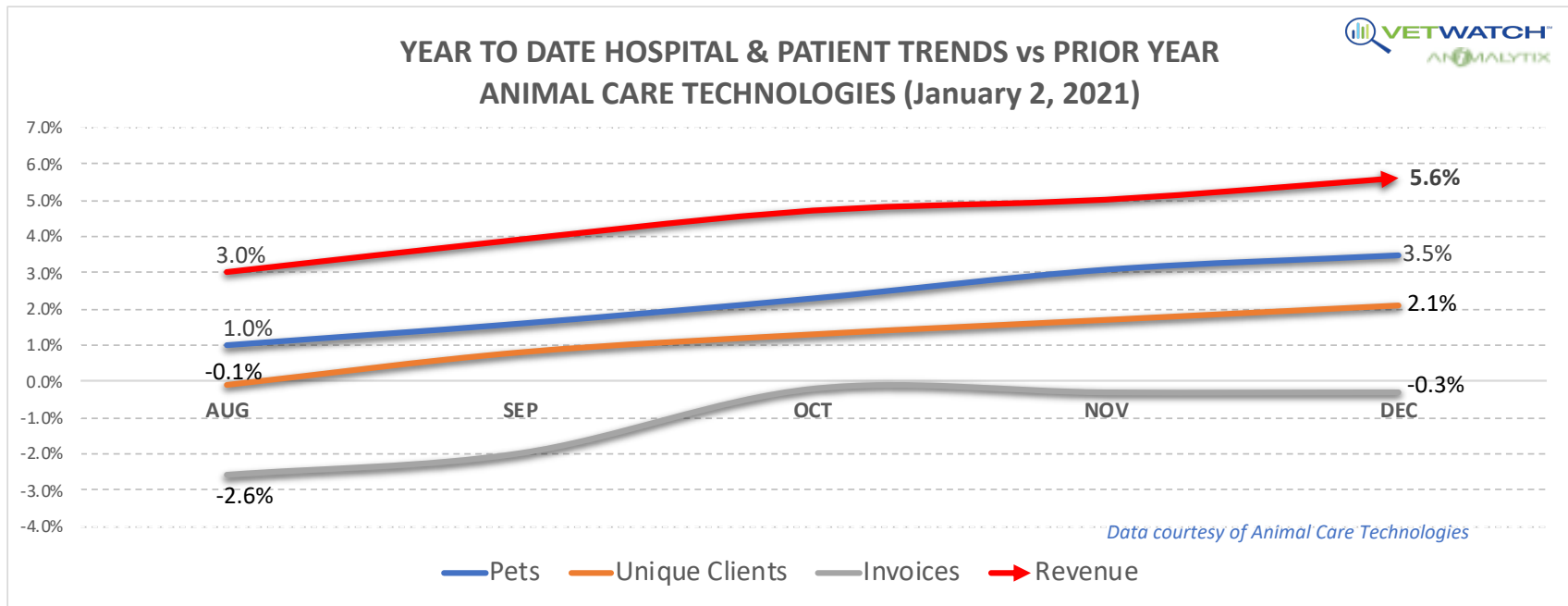


JUN 1, 2020 - total pet parasiticide purchases by veterinarians had pulled even with 2019 results at +0.6% growth; individual category results were mixed

DEC 31, 2020 – growth of 7.7% overall; all categories with positive growth with the leader being F/HW combos for dogs at +12.8%

Results are notable as they exclude on-line pharmacy shipments, all of which would be “additive” to these totals

Hospital Client & Patient Trends for ~ 4,000 Small Animal & Mixed Practices (for the period ending DEC 2020)



Aggregate YTD practice revenue continued to improve in Q4, reaching +5.6% growth YOY; 205 of 236 reporting zones posted net revenue growth for the year, 50 of which posted double digit growth vs 2019 results.

The number of unique Patients also improved in Q4, reaching +3.5% growth by end of year. Total invoices remain below 2019 levels on average, likely reflecting price increases as well as changes in the mix of services or revenue sources.

“VetWatch Insights ... The News from the Frontlines”



“VetWatch Insights ... The News from the Frontlines”



“VetWatch Insights ... The News from the Frontlines”



WHAT WAS IMPORTANT ABOUT WHAT HAPPENED IN 2020?

- The most important event last year regarding COVID was the expansion of the money supply; nearly 30% of the current money supply was created last year.
- The US dollar lost > 10% of its value against the major US trading partners responsible for 2/3rd of US imports; on its own this would create a net inflation effect of 1.4%.
- Many other markets are struggling with very tight supply chains, the stock market, housing market and many other goods and services markets are already seeing large price increases not just from the new money but from the expectation that the Fed and US government will continue to add to the current money supply.
- Someone needs to ask, “what will happen to all these markets when the Fed decides it is time to raise interest rates and end bond purchases?”

Michael R. Dicks, Ph.D.
Chief Data Human
Erupt, LLC



“VetWatch Insights ... The News from the Frontlines”



WHAT CAN WE EXPECT FOR 2021?

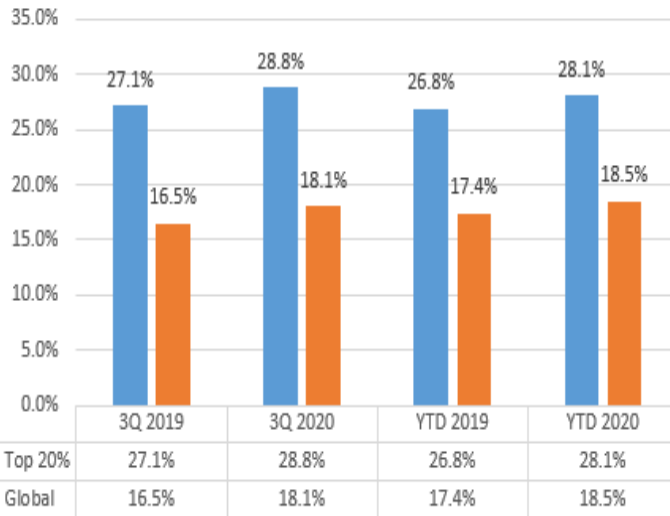
- *For at least in the first two or perhaps three quarters of 2021, the US is going to continue to limp along.*
- *COVID isn't going anywhere, many service industries will continue to struggle.*
- *What may be worse is the fact people are going to forget what it was like in 2019 before COVID happened.*
- *Disfunction in government and a Fed that believes it can continue to print money to hold markets together are eventually going to lead to large scale market failure and a vast recession with few tools left to do anything about it.*
- *We can look at 2008 - 2012 and expect that period is about to return, only worse ...*

Michael R. Dicks, Ph.D.
Chief Data Human
Erupt, LLC

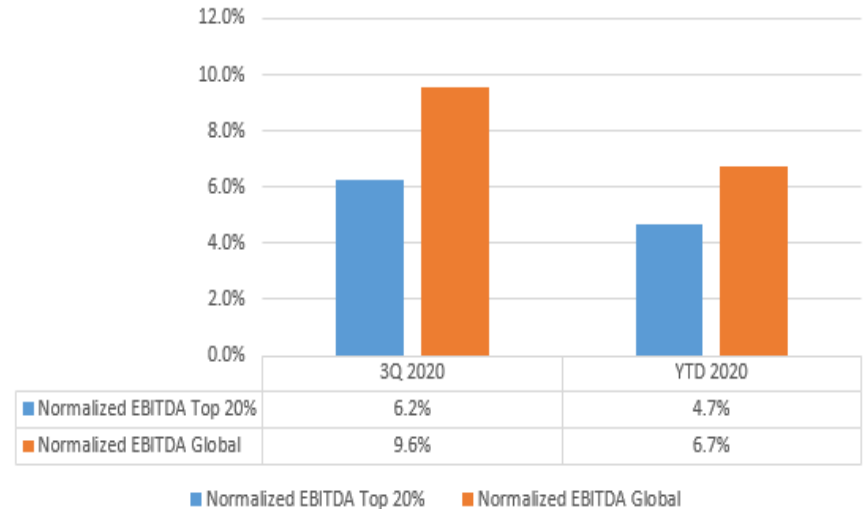


Veterinary Management Groups 600+ Small Animal Hospitals

Normalized EBITDA Through 9/30/20



Increase in EBITDA Through 9/30/20

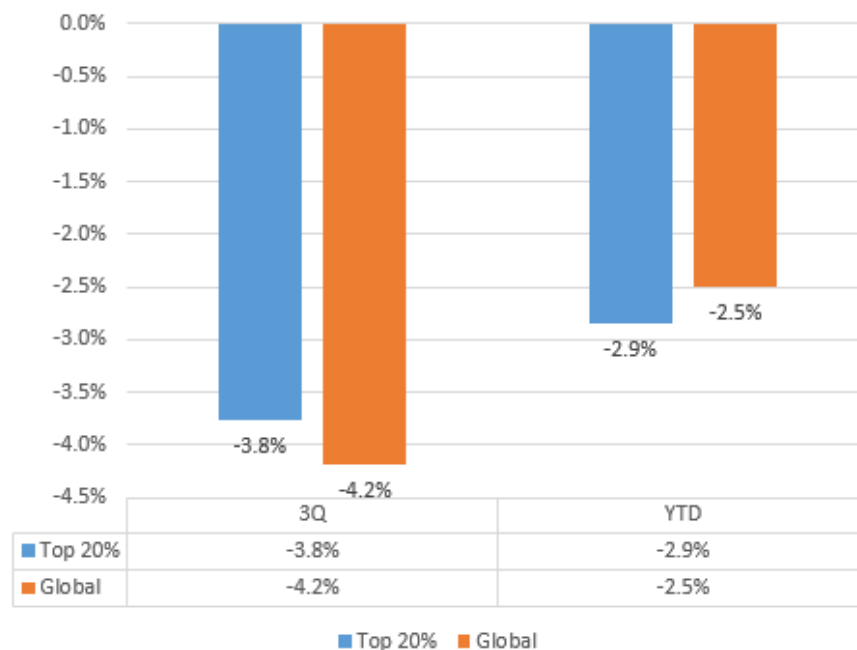


Veterinary Management Groups 600+ Small Animal Hospitals

Avg. Invoice Change



Change in Normalized Labor as a % of Revenue

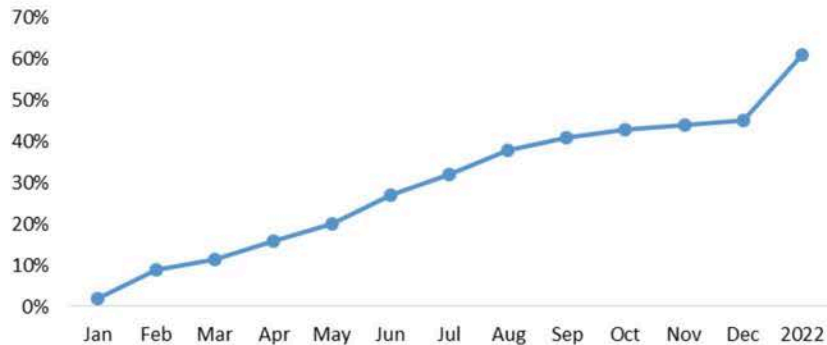


2021 Key Expectations & Projections

- Hospital revenue growth will be limited to:
 - Price increases (most already at patient capacity)
 - Expected price increases will be 7% - 9%
 - Facility workspace and ability to expand
 - Continued shortage of DVM's and qualified employees
 - Post COVID matters:
 - Burnout
 - Reallocation of discretionary spending
 - Pet Owner inability to attend appointments during work week while returning to work (in offices)
 - Continued Industry consolidation – owners do not want to have to navigate another 2020 and want to capitalize on market conditions

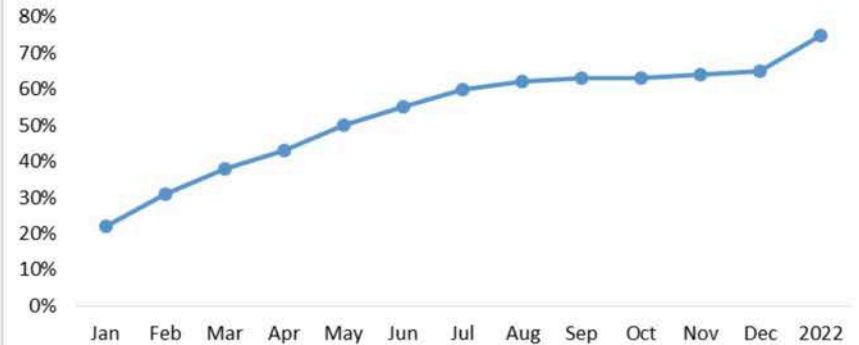
Cleveland Research – 8 Charts For 2021

% Of Consumers Expecting To Be Back To Normal
Vactioning Frequency



Source: Cleveland Research, N=630

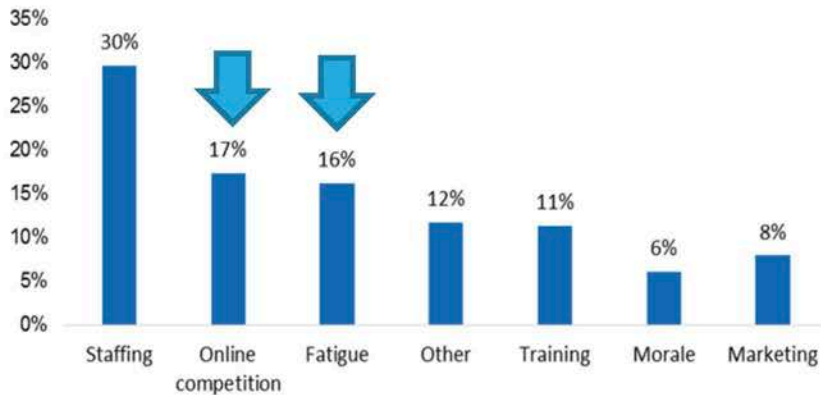
% Of Consumers When They Expect To Be Back In
The Office



Source: Cleveland Research, N=630

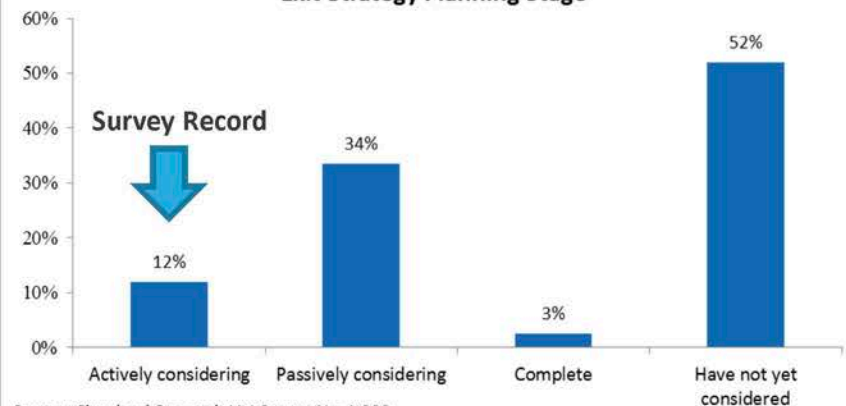
The above charts show travel and workplace commuting will remain under pressure through the year. Leads to more pet awareness but boarding likely is still significantly impacted in 2021. Below, shows that while vet clinics are busy, they are facing more severe online pressures and fatigue which is driving more people to consider selling than ever. Be prepared for more consolidation.

What Is The Biggest Hurdle For Your Practice For 2021



Source: Cleveland Research, N = 1,074

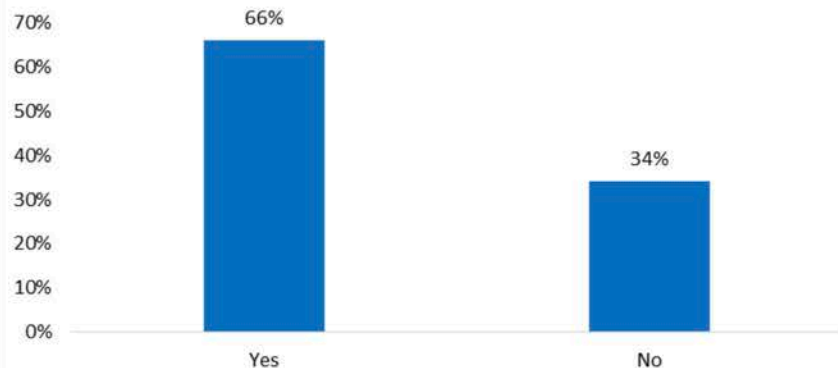
Vet Industry
Exit Strategy Planning Stage



Source: Cleveland Research Vet Survey N = 1,009

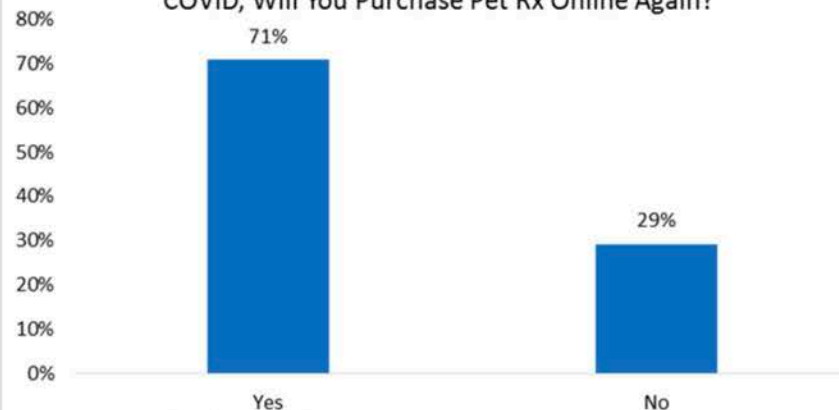
Cleveland Research – 8 Charts For 2021

% Of Vets Expecting Home Delivery Demand To Continue



Source: Cleveland Research, N = 1,218

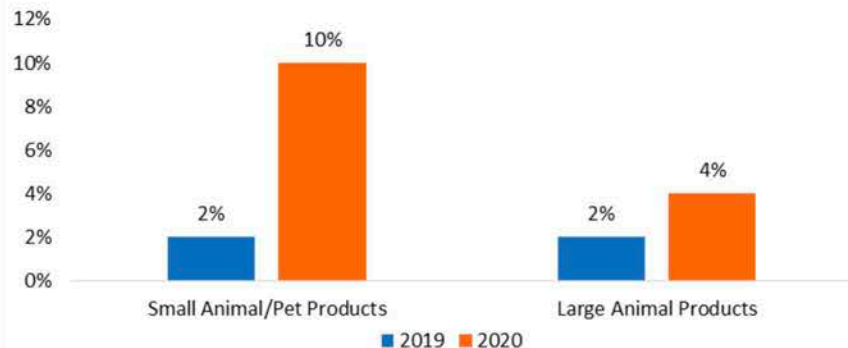
If You Bought Pet Rx Online For The First Time During COVID, Will You Purchase Pet Rx Online Again?



Source: Cleveland Research, N= 1,710

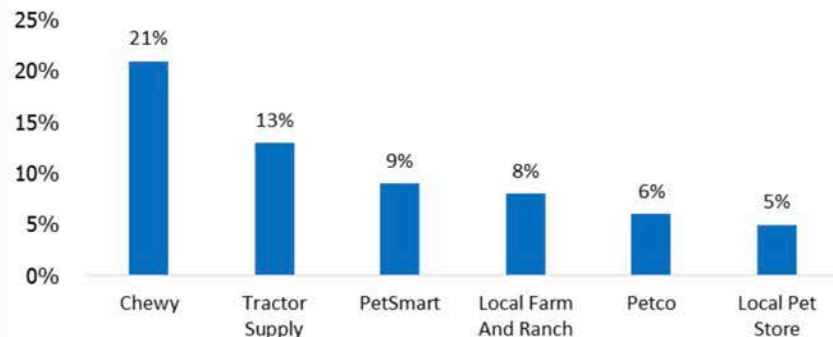
Both vets and pet parents are expecting online purchasing to continue (above charts). As online purchases continue across sectors, retailers are quickly reallocating floor space to growth areas – like pet. Specifically, we are seeing expanded investment from Tractor Supply and Walmart. Tractor in particular was an essential retailer during the pandemic that our work shows a notable gained share in the category for 2021.

% Of Tractor Supply Shoppers Buying Animal Products, 2019 vs. 2020



Source: Cleveland Research Consumer Survey

% Of Pet Parents Purchasing For These Retailers For The First Time In 2020



Source: Cleveland Research Consumer Survey

E&O.E



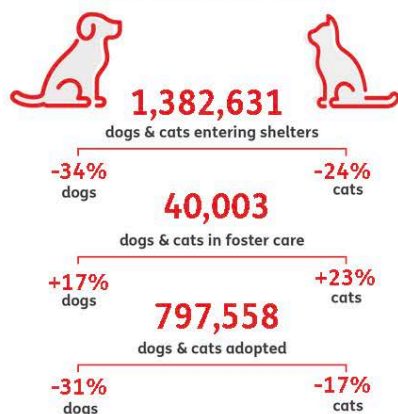
COVID-19 IMPACT

As the world navigates through a new reality, our pet population remains vulnerable and in-need.

Despite temporary closings and reduced shelter capacity, at least 262,240 new animals have arrived in the 1,191 shelters monitored by the 24Pet® ShelterWatch Report since the start of the pandemic. This number is expected to surge in the coming months with an anticipated increase in relinquished and abandoned animals.

March 13 - December 31, 2020 compared to the same period in 2019

US NATIONAL STATS



24%
decline in adoptions



19%
increase in foster population

STATS BY STATE

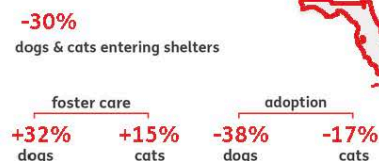
CALIFORNIA



TEXAS



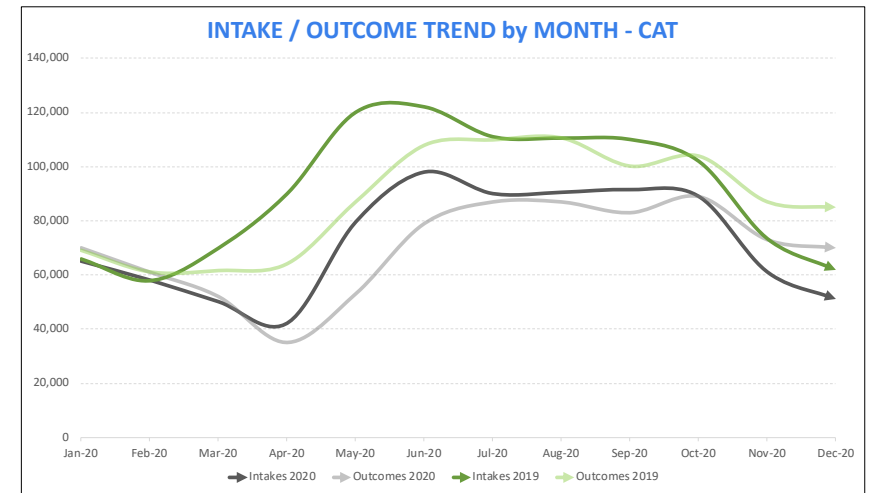
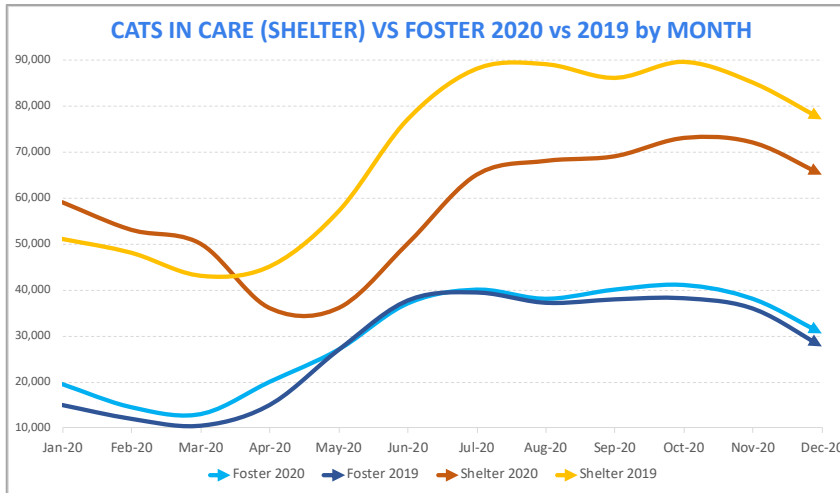
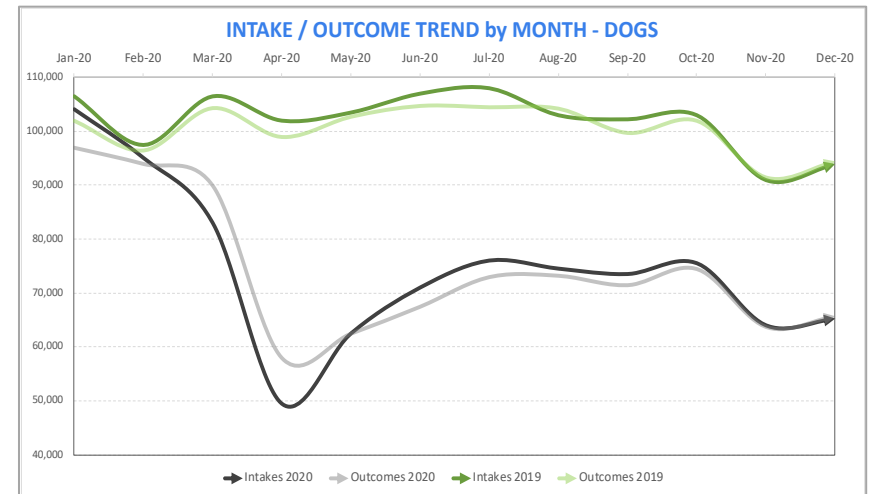
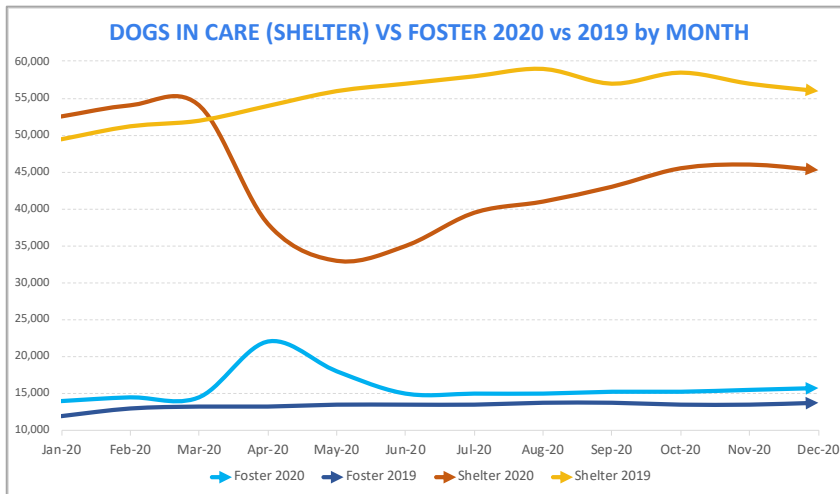
FLORIDA



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- Total pet adoptions dropped by 24% or ~ 250,000 pets in 2020 among ~ 1,200 shelters in 50 states representing ~ 50% of annual shelter placements
- Shelter intakes declined by more than 550,000 animals in 2020, reducing the number of pets available for adoptions
- Foster placements increased by ~ 40,000 (~ 20%) as shelters sought to reduce staffing & facility expense
- Shelter operators are reportedly bracing for a wave of abandoned & relinquished animals to enter shelters in the first half of 2021

<https://www.24petwatch.com/shelterwatch>



- *Fosters placements increased slightly for dogs in MAR – MAY but held steady after*
- *Available dog & cat inventories as well as adoptions dropped significantly in that same period and remained well below 2019 levels for the remainder of the year*



THE ANIMAL HEALTH INDUSTRY'S LEADING SUPPLIER OF "ACTIONABLE" BUSINESS INTELLIGENCE

2020 Year in Review

Chris Ragland

February 16, 2021