

Market Update

The veterinary industry has seen significant consolidation recently, with landmark transactions in 2015 including Mars PetCare's acquisition of BluePearl, private equity firms Harvest Partners and Cressey & Company's \$350 million acquisition of VetCor, Inc., and the Ontario Teachers' Pension Plan's \$440 million acquisition of PetVet Care Centers. This trend continued in Q1 2016, as industry giant VCA Inc. (NASDAQ: WOOF) announced a \$344 million investment for 80% ownership interest in Companion Animal Practices, North America (CAPNA). Smaller private equity-backed organizations also remain aggressive on the consolidation front, with Shore Capital Partners-backed Southern Veterinary Partners completing its 7th acquisition since late 2014 with its addition of Jones Veterinary Hospital in February. A key element of recent M&A activity in the veterinary sector has been exceptionally high valuations, with larger companies such as CAPNA trading for over 10x forward EBITDA, and even smaller, single location hospitals receiving up to 6x EBITDA multiples. Provident expects these favorable valuation trends, as well as increased interest from the private equity community, to drive further consolidation throughout 2016.

SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
March 2016	VCA Inc. (NASDAQ: WOOF)	Companion Animal Practices, North America (CAPNA)	VCA Inc. has signed a definitive agreement to acquire 80% ownership in Companion Animal Practices, North America (CAPNA), which operates a network of 56 animal hospitals throughout the U.S. and Canada. VCA has agreed to pay \$344 million for the 80% ownership interest, which translates to a multiple of forward 2016 projected EBITDA of 10.7x.
February 2016	VCA Inc. (NASDAQ: WOOF)	Animal Specialty & Emergency Center	VCA Inc. has completed the acquisition of Los Angeles-based Animal Specialty & Emergency Center, a full emergency hospital that also offers specialty expertise in cardiology, internal medicine, oncology, radiology and surgery. Specific terms of this transaction were not disclosed.
February 2016	VCA Inc. (NASDAQ: WOOF)	PetCare Veterinary Hospital	VCA Inc. has completed the acquisition of Northern California-based PetCare Veterinary Hospital, which offers full-service specialty and emergency care through two locations in Santa Rosa. Specific terms of this transaction were not disclosed.
February 2016	Ethos Veterinary Health	IVG Hospitals, Wheat Ridge Animal Hospital, Premier Veterinary Group, Veterinary Specialty Hospital	Four leading animal hospitals from around the U.S. have completed a merger, creating Ethos Veterinary Health. This organization will be comprised of 13 total veterinary hospitals in four regions, and will be led by a combination of executives from the former entities. Specific terms of this transaction were not disclosed.
January 2016	Guardian Capital Partners	Hyper Pet	Guardian Capital Partners, a Philadelphia-based private equity firm, has acquired a controlling interest in Rose America Corp (d/b/a Hyper Pet), which designs and manufactures pet toys and other pet products. Specific terms of this transaction were not disclosed.
January 2016	Southern Veterinary Partners	Jones Veterinary Hospital	Southern Veterinary Partners (backed by private equity firm Shore Capital Partners) has added its seventh veterinary hospital since forming in October 2014. This regional network of companion animal hospitals is veterinarian-owned and operated, in collaboration with Shore Capital Partners' investor ownership. Specific terms of this transaction were not disclosed.
January 2016	Henry Schein (NASDAQ: HSIC)	RxWorks	Henry Schein, a global healthcare product distributor and technology provider, has acquired RxWorks, a developer of veterinary practice management software. This deal is one of several recent acquisitions made by Henry Schein in an attempt to expand and improve its animal health business. Specific terms of this transaction were not disclosed.