

## Market Update

Consolidation of veterinary hospitals continued at a strong pace in the second quarter of 2016, with private equity-backed veterinary practice management companies leading the way in acquisition volumes as these groups continue to aggressively expand throughout the U.S. VetCor (Harvest Partners and Cressey & Company) now has 178 locations, Innovetive Petcare (Prospect Partners) 5 locations, Southern Veterinary Partners (Shore Capital) 10 locations and Veterinary Practice Partners (Deerfield) 19 locations, as each private equity-backed group added multiple hospitals during the quarter. This private equity-driven consolidation has been a key industry trend throughout 2015 and 2016, and all indications are that it will continue as these groups remain active consolidators and other private equity firms enter the market through platform investments. As a result of the current level of M&A activity and private equity investor interest in the industry, valuations have been among the highest of subsectors of healthcare services (the CAPNA transaction closed at a valuation of nearly 10.7x projected EBITDA).

## SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
June 2016	VetCor	Primary Pet Care	VetCor, a national, private equity-backed veterinary practice management company that owns over 170 veterinary hospitals, has strengthened its presence in Ohio with the acquisition of Primary Pet Care, which adds locations in Fairlawn and Stow. VetCor is backed by private equity firms Harvest Partners and Cressey & Company. Financial terms of the transaction were not disclosed.
June 2016	Innovetive Petcare	Veterinary Referral Hospital of Hickory	Innovetive Petcare, a private equity-backed operator of veterinary practices across the U.S., has announced the acquisition of Veterinary Referral Hospital of Hickory, which provides veterinary care to pets throughout North Carolina, southern Virginia, and eastern Tennessee. Innovetive Petcare is backed by private equity firm Prospect Partners. Financial terms of the transaction were not disclosed.
June 2016	VetCor	VetSelect Animal Hospitals	VetCor has added four animal hospitals in Michigan, growing its presence in the state to seven hospitals. Through this acquisition of VetSelect Animal Hospitals, VetCor will now operate in the towns of Novi, Commerce Township, Dearborn and Dearborn Heights. Financial terms of this transaction were not disclosed.
June 2016	Southern Veterinary Partners	Roseville Veterinary Clinic & Plaza Pet Clinic	Southern Veterinary Partners, a veterinary practice management company that is backed by private equity firm Shore Capital Partners, has acquired Virginia-based Roseville Veterinary Clinic and Plaza Pet Clinic. This acquisition marks the Company's ninth and tenth acquisitions, and its entrance into the Virginia market. Financial terms of these transactions were not disclosed.
June 2016	Veterinary Practice Partners	East Hampton Veterinary Group & Truesdell Animal Care Hospital and Clinic	Veterinary Practice Partners, backed by venture capital firm Deerfield and led by former President of BrightHeart Veterinary Centers, Rich Lester, has added its eighteenth and nineteenth animal hospitals through the acquisitions of New York-based East Hampton Veterinary Group and Wisconsin-based Truesdell Animal Clinic. Financial terms of these transactions were not disclosed.
May 2016	VCA Inc. (NASDAQ: WOOF)	Companion Animal Practices, North America (CAPNA)	VCA Inc.'s previously announced intent to acquire 80% ownership in Companion Animal Practices, North America (CAPNA) has closed. VCA exchanged consideration of \$344 million for the 80% ownership interest, which translates to a multiple of forward 2016 projected EBITDA of 10.7x.