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CONTACT: Linda Willey

Animalytix LLC

410.677.3214

info@animalytix.net

<http://www.animalytix.net/>

Meredith and Felsted Reveal Changing Companion Animal Dynamics at 2016 Senior Executive Forum

Kansas City, MO April 18, 2016

Dr. Travis Meredith, Director of Veterinary Channel Intelligence for Animalytix and Dr. Karen Felsted, President of PatheraT Consulting, joined forces to present the latest groundbreaking, companion animal industry trends utilizing the Animalytix database. Deploying a data set of over \$1.4 Billion dollars sold into over 25,000 ship-to locations, Drs. Meredith and Felsted presented several changing dynamics impacting the traditional primary care veterinary hospital.

One of the key foundational tools in this market analysis was the proprietary Animalytix Veterinary Consumption Index (VCI) - a \$1.4 billion market basket of annual purchases of exam room consumables and surgical suite supplies. Using the VCI as a leading indicator of patient volume, Drs. Meredith and Felsted reported an overall increase in volume of 8.6% versus previous year, suggesting a robust overall growth trend for the small animal veterinary segment.

Further analysis of VCI spending by Drs. Meredith and Felsted for the two-year period 2014 to 2015 indicated the Southern and Midwestern regions, each of which realized cumulative growth of 18%+ for the period, sharply outpaced the Eastern region which grew only 10% during the same two-year period.

Practice expansion for new small animal primary care facilities was ~ 2% over the period with ~ 900 new practices identified, while 350 locations ceased operations. The net change of 500+ practices suggests physical site expansion is slowing with most of the observed growth attributable to increased volume among established practices.

One of the most compelling findings of this research was a quantifiable shift away from surgical suite consumption by the primary care provider. Utilizing a specialized consumption basket specific to the surgery suite, Drs. Meredith and Felsted identified a marked shift in consumption away from the primary care provider and to the emergency and specialty provider. Further research is required but evidence in the data suggests an increasing number of patients are shifting spending toward these types of facilities, undermining the long-term growth potential for primary care centers with limited hours and heavy reliance on third parties for surgery support.

On the positive front, industry efforts to engage feline patients appear to be succeeding based on a marked increase in feline core vaccinations (HCP) administered by primary care facilities in the most



recent two year period. Small animal practices saw vaccination rates increase by nearly 16% versus rescue and shelter locations, which grew by only 6% in the same period. When analyzed on a regional basis, the Eastern region was a notable outlier, achieving less than 1% volume growth in core feline vaccinations versus 14%-18% growth observed in other regions. The data suggests the Eastern region may already be highly saturated in terms of feline veterinary care.

Future reports will continue to utilize consumption as a leading indicator of patient volume and continue to assist the profession in identifying emerging issues impacting today's independent veterinary practice.

About Animalytix LLC

Animalytix, through its partnership with the leading US animal health distribution companies, is unique in its ability to provide actionable commercial insight to manufacturers, investors, lenders and financial analysts with an interest in this dynamic and expanding market. Animalytix currently publishes reports on more than 30 market segments, reflecting sales of pharmaceuticals, vaccines, nutraceuticals and veterinary supplies for use in pets, horses, swine and cattle totaling \$6.5 billion in annual sales revenues. The monthly surveys provide sales trending insights for more than 8,000 products sourced from over 500 manufacturers. For more information, please contact: info@animalytix.net, or visit: www.animalytix.net.