



Caring for America's pets and their vets

A case study on building a platform of veterinary hospitals respecting clinical autonomy and delivering efficiencies at scale

Overview

Modern pet owners love their pets and treat them as genuine family members. When it comes to health, they seek out primary care of the highest quality from their local veterinary hospitals.

The veterinary space is a key area of interest for Partners Group and has been monitored closely by its Health & Life team since 2017. In line with a structural trend around the humanization of pets, demand for vet services has shown consistent growth as more owners seek regular check-ups, vaccinations and specialty services such as dental care for their animals.

As observed during the global financial crisis and the COVID-19 pandemic, pet care has also proven resilient to economic downturns. During lockdowns more people sought an animal companion and the new reality of working from home helped foster stronger bonds between owners and their pets. In the US, close to one in five households acquired a pet in the period post-COVID to mid-2021¹, with around 80% of Americans saying their pets are like family members². For businesses, this has translated into a more inelastic and growing demand for pet care, with owners spending 1% or more of their income on their pets regardless of economic status, industry research shows.

Founded in 2009 in Chicago, Blue River PetCare is one of the leading operators of veterinary hospitals in the US. The company boasts a wide network of general practices, the largest

¹ Source: American Society for the Prevention of Cruelty to Animals (2021).

² Source: American Veterinary Medical Association (2018).

Blue River PetCare

Industry vertical: Healthcare

Location: HQ in Chicago, Illinois, serving the US

Investment year: 2019

For more information: www.blueriverpetcare.com

sub-sector in the vet space. This type of practice has also proven to be the most attractive from an investor perspective, as it has high levels of recurring revenues while also operating in a highly fragmented market, ripe for consolidation.

Partners Group invested in Blue River on behalf of its clients in 2019 with a view to partner with a market leader and embark on a transformational journey with the business. Drawing from its experience with other physician services companies, the firm saw potential in Blue River to enhance and scale an already well-structured network, while preserving the company's key value-add propositions, such as medical autonomy and entrepreneurship.

Flexibility within a framework

The general practice space is dominated by veterinarians who have spent years building the trust of pet owners in their local neighborhoods, often being highly motivated and well-respected members of the community. >



182 Veterinary hospitals in
35 US states⁽¹⁾



500+ Veterinarians serving
over 700'000 pets annually



24% Compound annualized
revenue growth

(1) As of April 2023. Source: Partners Group.

> That is why Blue River has always respected clinical autonomy when bringing practices under its platform. It has also offered the opportunity for owners-managers to retain full control of their own brands and cultures.

As the businesses grow, however, general practices can often encounter some common industry challenges on the way. These range from housekeeping tasks, such as dealing with the administrative burden and financial management of running a practice, as well as more complex demands, like keeping up with advancements in veterinary medicine and offering competitive compensation to recruit and retain talent.

Blue River seeks to add value to its network by functioning as a centralized support system for practices to overcome such challenges. With a philosophy of providing “flexibility within a framework”, the company allows veterinarians to focus on delivering the best pet care to their communities, while also creating opportunities to build up revenues and sustainable margins.

In 2019, Blue River’s network extended across 90 general practice hospitals, with 300 veterinarians working in 23 states. With a clear understanding that it was vital to preserve the company’s “user-friendly” approach, Partners Group worked with the management team to implement a three-pronged value creation strategy aimed at gaining scale via targeted acquisitions, creating new organic growth drivers, and becoming a talent magnet.

“Blue River PetCare is committed to partnering with entrepreneurial veterinarians and providing them with the support to continue delivering passionate care to their patients and outstanding customer service to their clients.”

Dan Blumenthal
Chief Executive Office and Co-Founder

1. Calibrating the acquisition engine

With M&A already being a cornerstone of Blue River’s trajectory, Partners Group worked with the company to fine tune its acquisition engine. The process now starts with an analytics-driven selection of opportunities that looks at a series of very granular data sets, ranging from a specific region’s population and growth trends to the density of veterinary services providers and pet spending potential. While generating a large volume of opportunities at the top of the funnel, this system allows for a selective approach, with an emphasis on fit and the potential for rapid execution. More than 80% of acquisitions by Blue River are now originated in-house, rather than by external advisors, which also helps to avoid competitive bidding processes. More recently, the creation of a targeted acquisition strategy focused on smaller consolidators should help accelerate the pace of M&A.

Post-acquisition, a repeatable playbook with well-defined value creation plans ensures newly acquired businesses can start generating substantial growth and achieve operational excellence right after the investment. As a result, post-investment multiples tend to average down in subsequent years as the new hospitals can quickly ramp up their margins.

2. Pulling the organic growth levers

While preserving local culture and medical autonomy, Blue River integrates new hospitals into its community, sharing best practices and providing a complete toolkit of resources to support each practice in their growth journey. Partners Group has worked with the company to amplify these initiatives to deliver consistent, balanced organic growth.

One objective has been to increase access to mission-critical back-office support that can alleviate various administrative burdens for practice managers. This included investments in enhancing IT systems to create efficiency across areas such as procurement, accounting, human resources and inventory management.

The company has also expanded its toolkit aimed at generating new businesses at the hospital level. These include technology to improve client communication and access real-time performance data with a view to create tailored marketing campaigns and expand the customer base.

To make sure hospitals are assisted in the implementation of these initiatives and reach their full potential, Blue River makes use of a dedicated field operations team, which has doubled in size since its inception in 2018.



EBITDA margin expansion
2019-2022 **+160bps** ⁽¹⁾

(1) As of April 2023. Source: Partners Group.



“The ‘humanization’ of pets is part of a broader generational shift, with animals increasingly playing a larger role in family life, which can drive long-term demand for high-quality veterinary hospitals.”

Sofia Gerard
Member of Management,
Partners Group

3. Culture and recognition as talent magnets

Using Blue River’s vet-centric approach as a solid starting point to attract and retain talent, Partners Group has worked with the company to enhance the recruiting of new doctors and foster the right culture to retain them in the long term.

Continuing education is at the heart of this strategy. Blue River has expanded its offering of training and leadership resources to employees at all levels following the introduction of a Clinical Development Team staffed by veterinarians and technicians. Besides generating professional satisfaction, training for clinical staff has increased productivity and the sale of higher value services. Continuing education has also contributed to Blue River’s objective of creating career progression opportunities. As an example, today, most of Blue River’s regional managers are former practice managers.

On the recruiting front, by applying a more proactive and personalized hiring process, Blue River has been able to reduce the amount of time needed to fill open positions. The company has managed to maintain a recruitment strategy driven by culture, which tends to attract committed, long-term employees, versus using methods driven purely by financial incentives. As a result, Blue River now boasts an industry-leading

retention rate of 85%, compared to an average of 77%³ across other practices in the country.

The journey so far and beyond

With Partners Group’s support, Blue River has been able to enhance its operating framework and roll it out across a scaled footprint of hospitals. The company has preserved its core DNA of respecting clinical autonomy while also capitalizing on it, using this feature as a differentiating factor to attract talent and grow its network of practices.

Since 2019, the platform has grown from 90 to 182 hospitals with more than 500 veterinarians in 35 states. Group revenues more than doubled, with average earnings per hospital up 12% in just under three years. And the investment case remains strong.

Blue River’s acquisition program has a solid pipeline of potential targets. Organic growth prospects are strong, with the benefits of technology improvements yet to achieve their full potential. Practice managers are able to focus on the future, thinking of how to improve services and create new ways to serve their communities. With more owners and veterinarians looking to join the network, the future of pet care looks bright.

³ Industry average veterinarian retention. Source: AAHA Compensation and Benefits Survey (2020).



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Source: Partners Group, August 2023.

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