



Community
Veterinary Partners
Member Network

Insight Report

2016 Annual Report



2016 - What's In the Pages That Follow

March 31st, 2017

Dear Friends,

Please find the enclosed CVP Member Network 2016 Year in Review. In the pages that follow, you will find reports on revenue, transaction, and new client dynamics compared to 2015.

As always, please don't hesitate to call should you ever have a question or need regarding this or any Insight report.

Here's to a healthy and prosperous 2017 for all of our Member Hospitals.

Best Regards,

-Travis Meredith

Travis.meredith@cvpco.com

(302) 690-2187





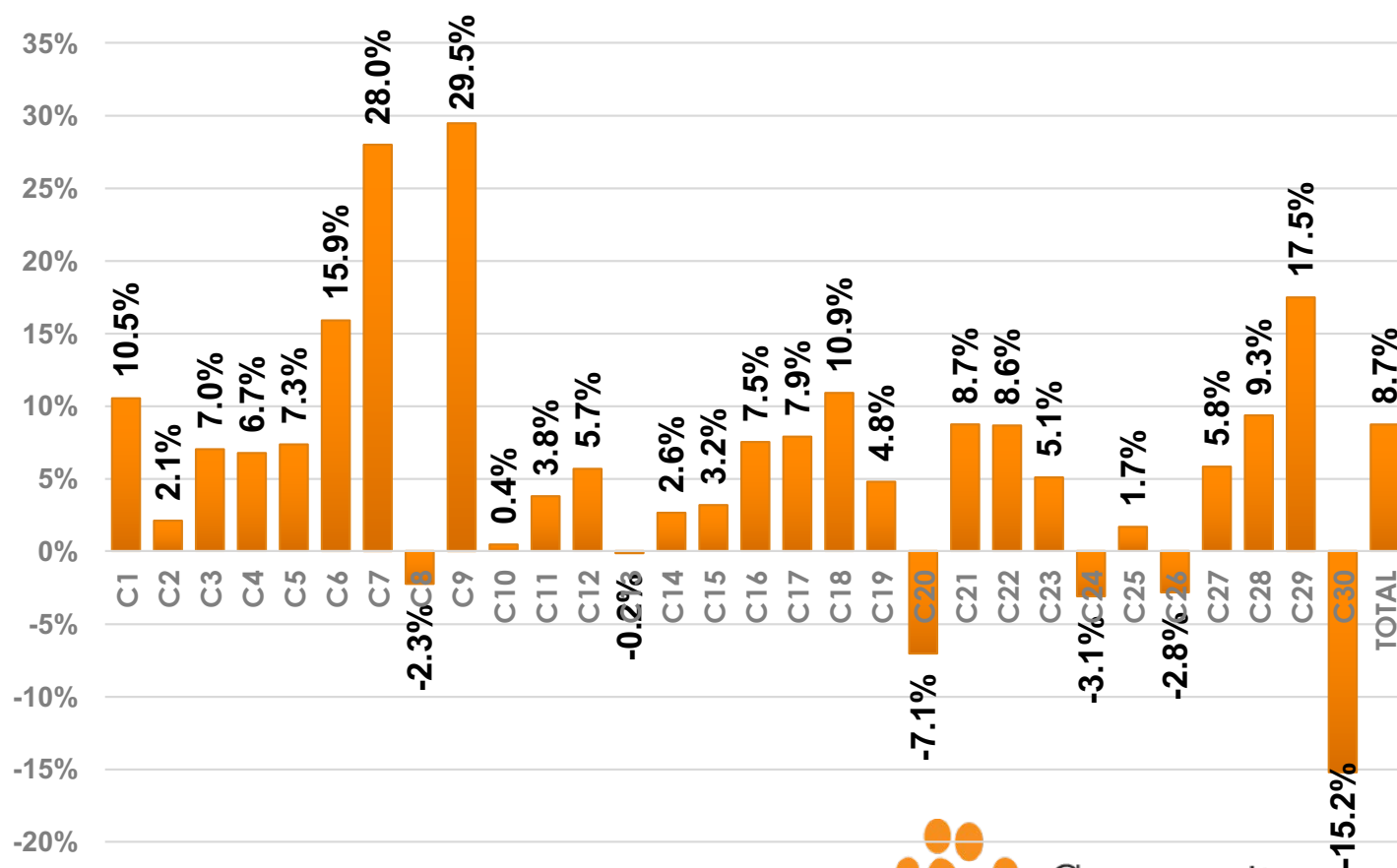
2016

The Data....



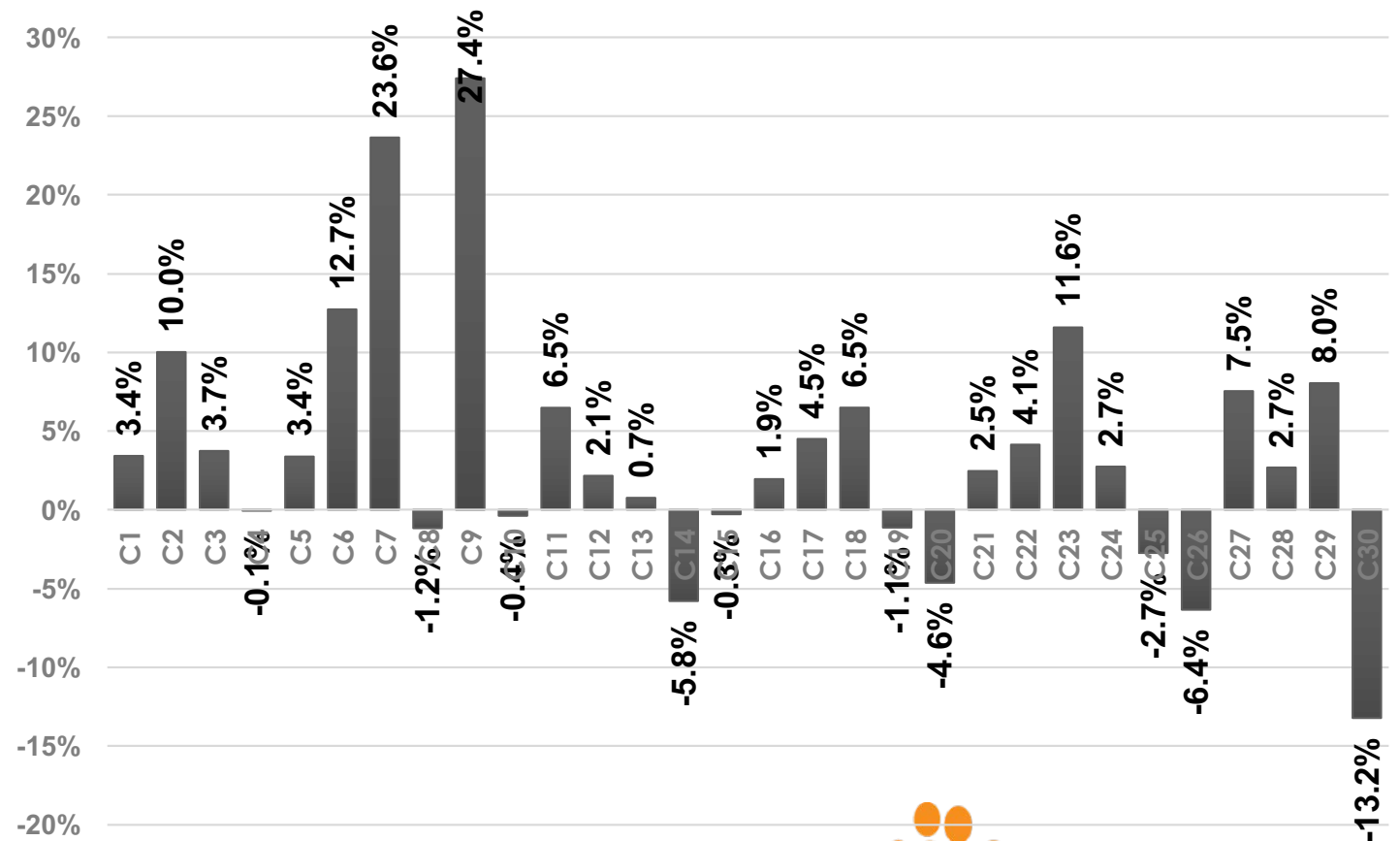
Revenue Dynamics vs. Full Year 2015

In 2016, revenue dynamics were generally strong across the study population. Across the group, most (25/30) members reported growth compared to 2015. In a data set of almost \$68M of hospital revenue, the average increase in revenue was 6% and the median increase was 5.7%.



Transaction Dynamics vs. Full Year 2015

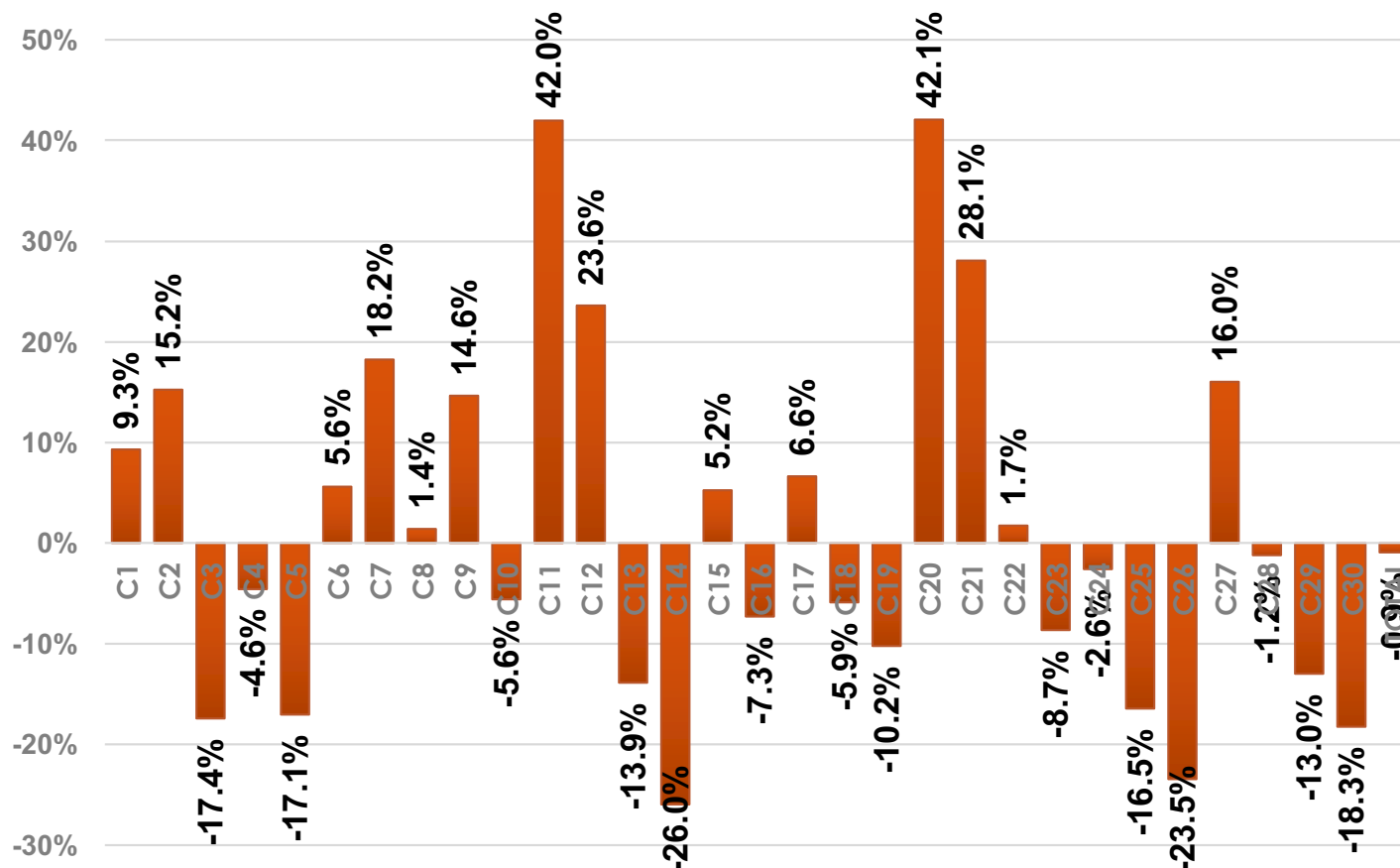
2016 proved a moderately successful year for transaction growth, an indication that practices grew both by volume and pricing decisions. A slightly lesser majority of practices (20/30) observed increased volume growth with the average growth rate of 3.7% and the median growth rate of and median rate of growth rate of 2.7%.



New Client Dynamics vs. Full Year 2015

New client acquisition rates have always varied considerably across the Member Network reflecting a broad diversity in maturity of each business and local demographic impacts.

For the year, only 13 of 30 practices reported an increase in the number of new clients, suggesting the possible maturation of many client bases and the need for practices to find new ways to attract clients and patients to their business. The median change for the year was -1.9% and the average was 1.3%





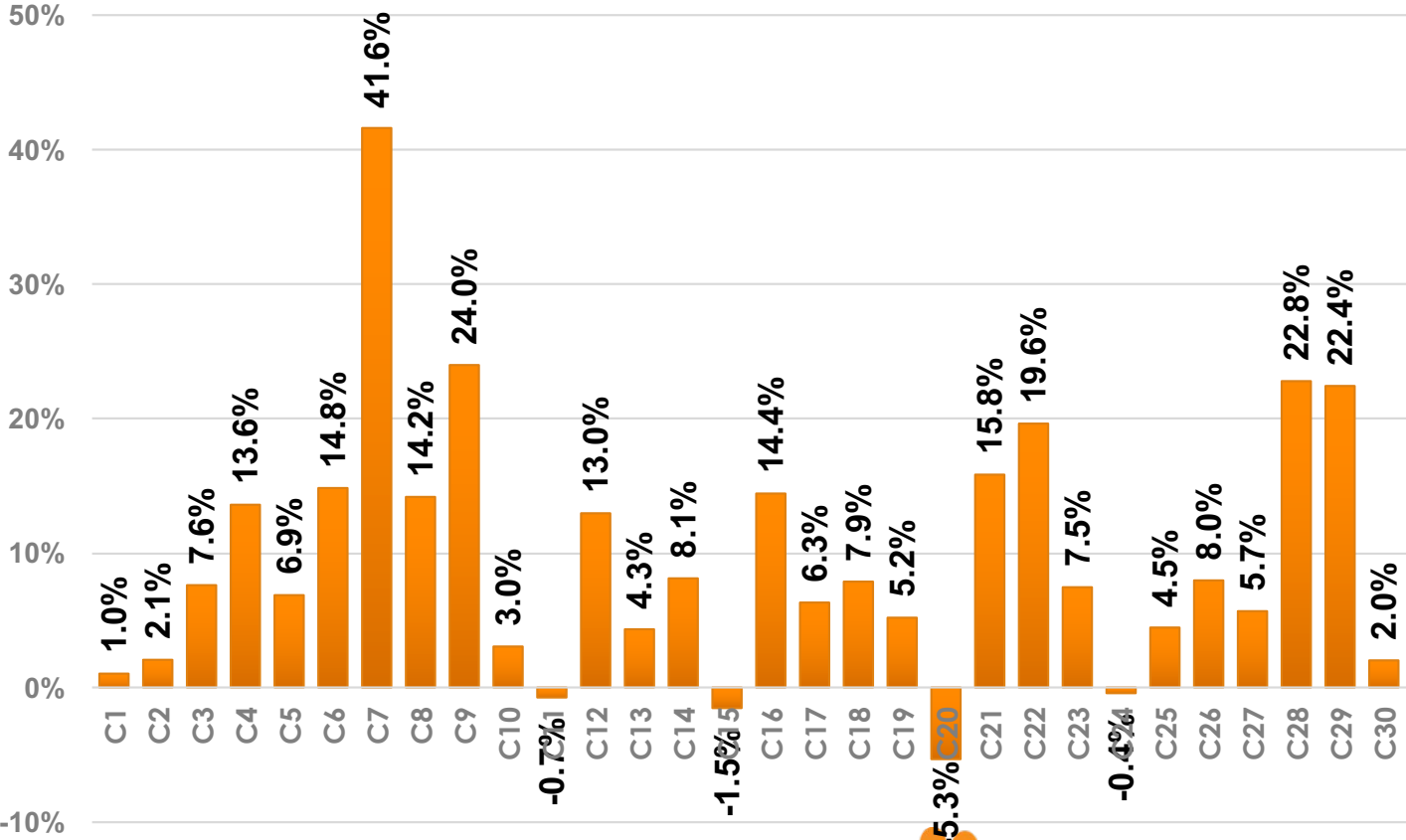
First Quarter (Q1) 2016

The Data....



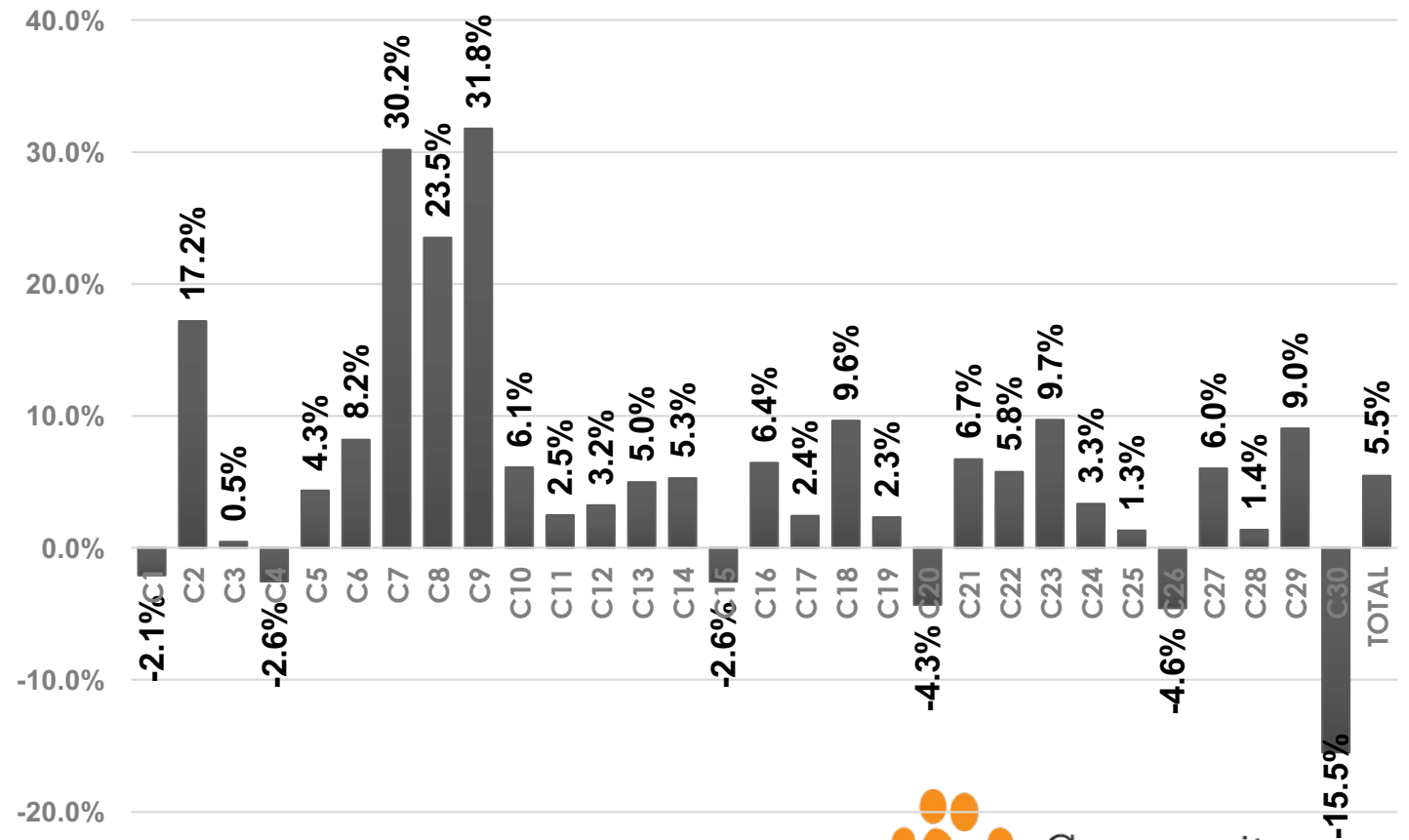
Revenue Dynamics vs. Q1 2015

AVERAGE: 9.6%
MEDIAN: 7.5%
LOW: -5.3%
HIGH: 41.6%



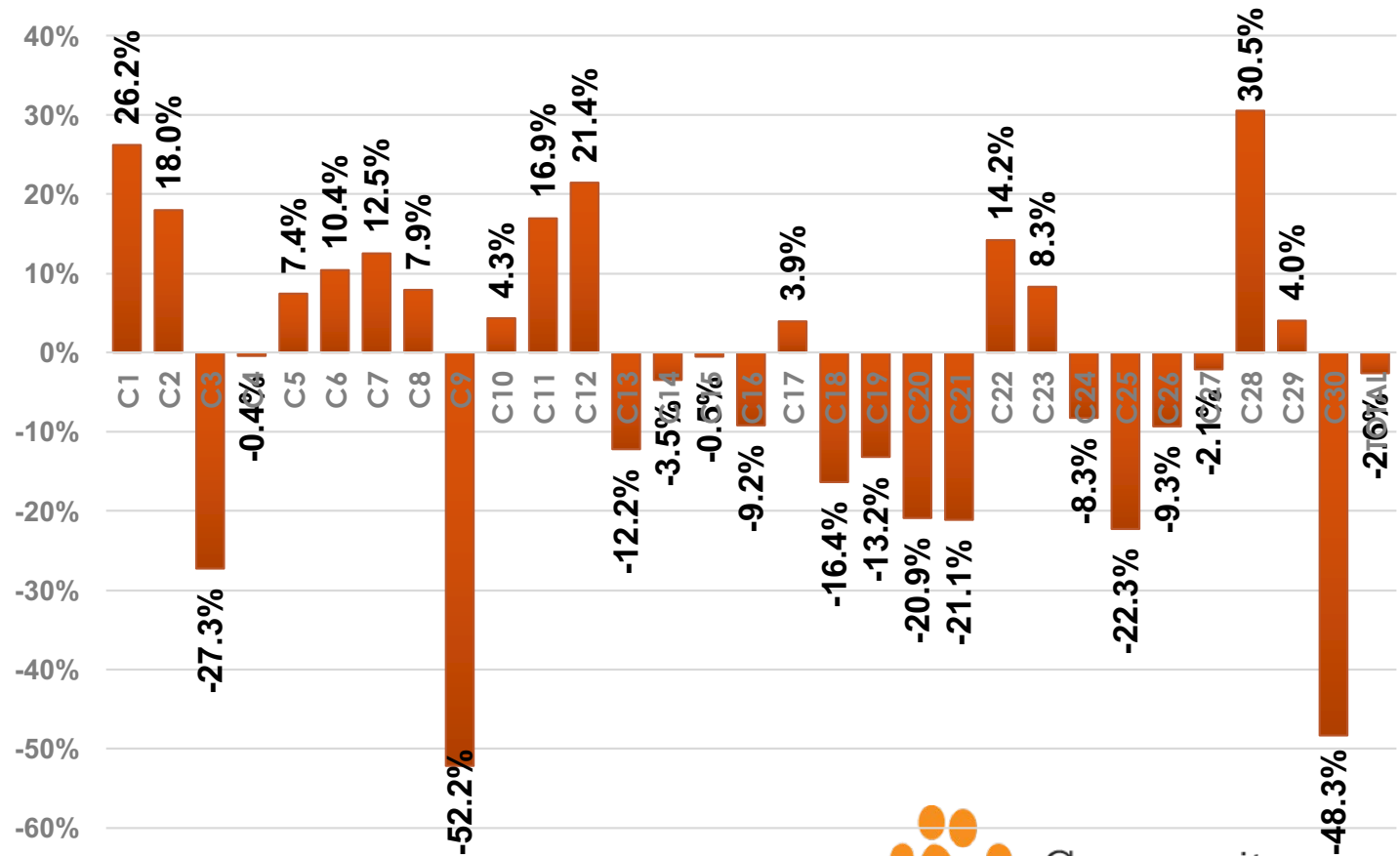
Transaction Dynamics vs. Q1 2015

AVERAGE: 5.7%
MEDIAN: 4.7%
LOW: -15.5%
HIGH: 31.8%



New Client Dynamics vs. Q1 2015

AVERAGE: -2.7%
MEDIAN: -0.5%
LOW: -52.2%
HIGH: 30.5%





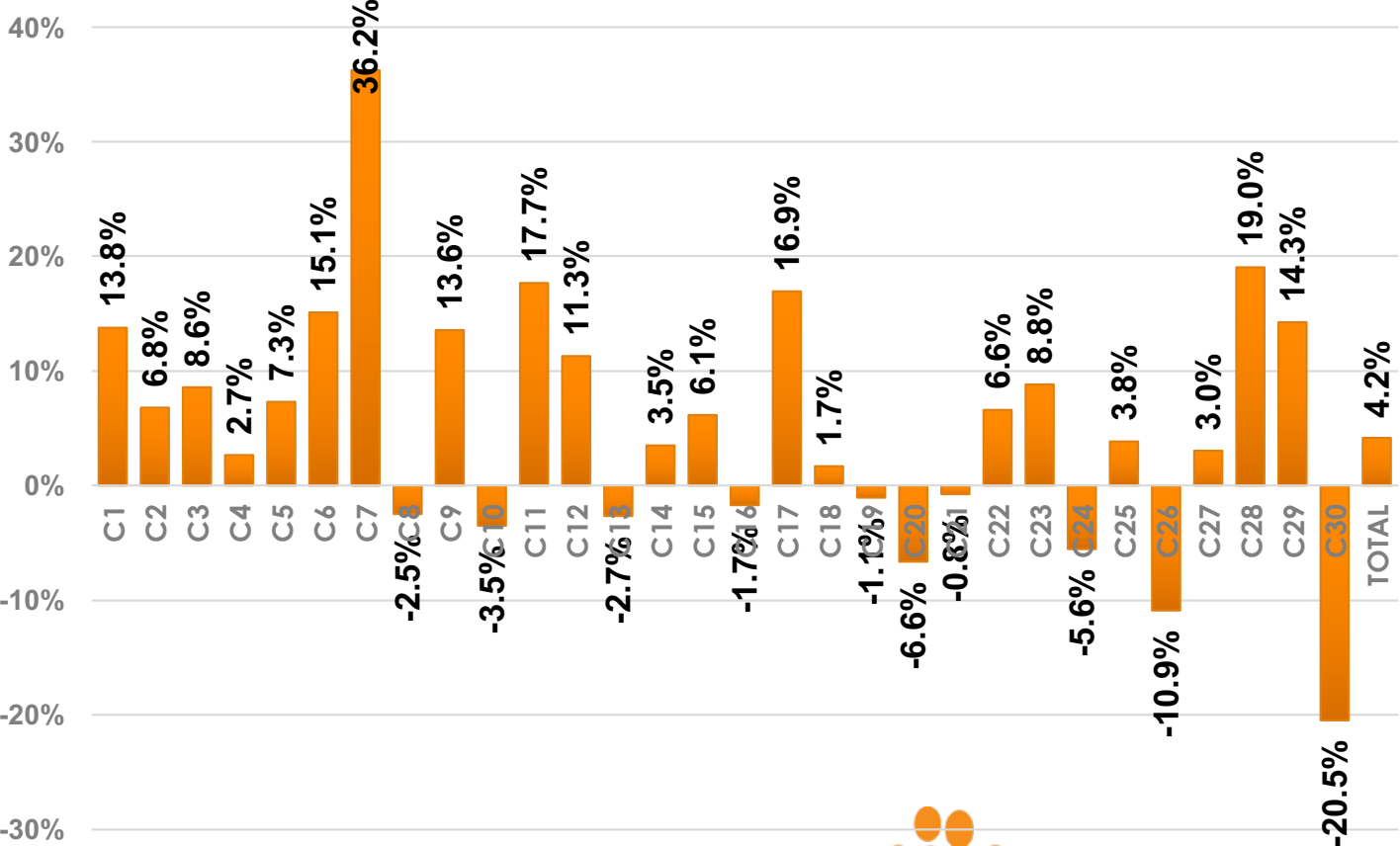
Second Quarter (Q2) 2016

The Data....



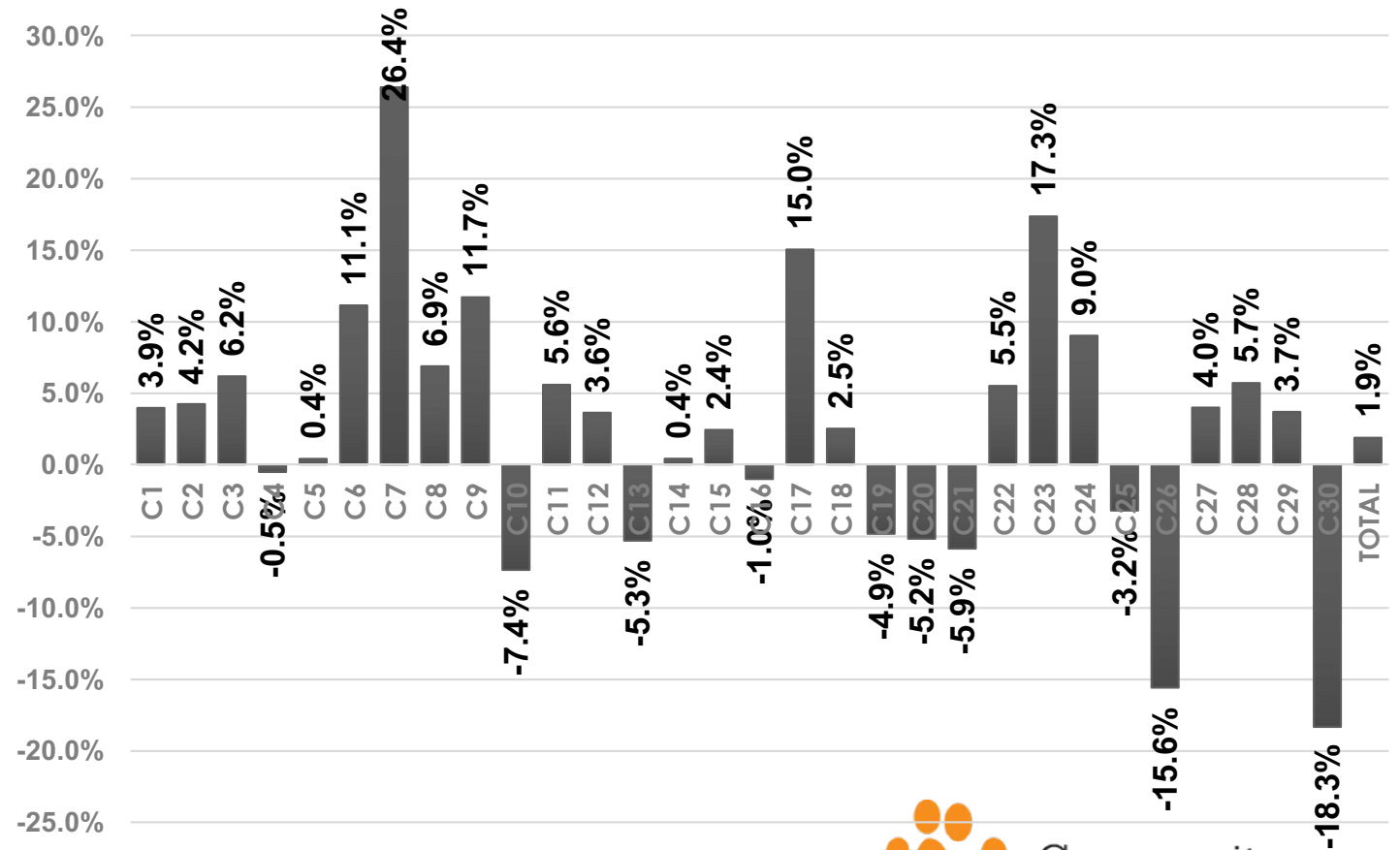
Revenue Dynamics vs. Q2 2015

AVERAGE: 5.4%
 MEDIAN: 5.0%
 LOW: -20.5%
 HIGH: 36.2%



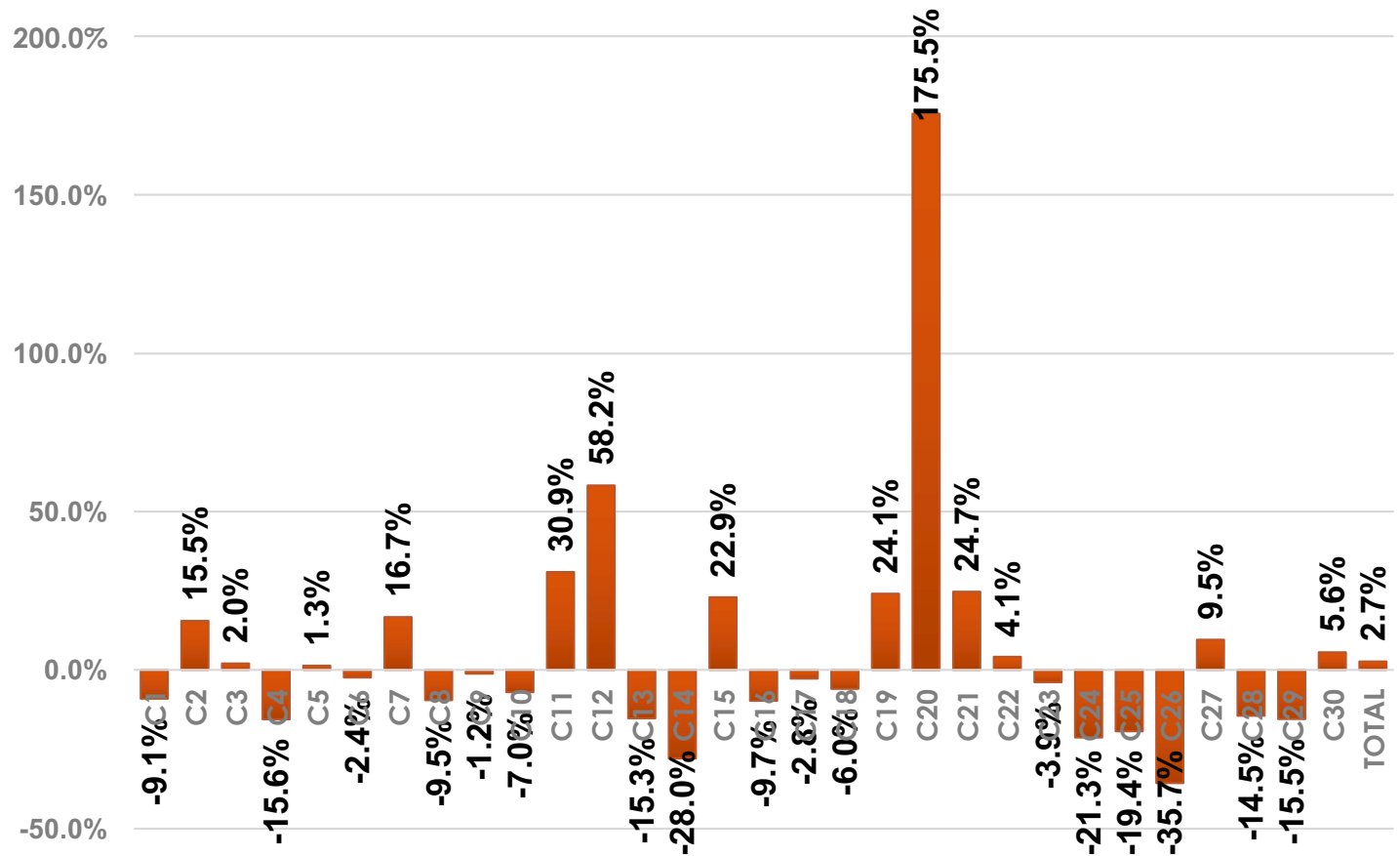
Transaction Dynamics vs. Q2 2015

AVERAGE: 2.6%
MEDIAN: 3.6%
LOW: -18.3%
HIGH: 26.4%



New Client Dynamics vs. Q2 2015

AVERAGE: 5.8%
MEDIAN: -2.6%
LOW: -35.7%
HIGH: 175%





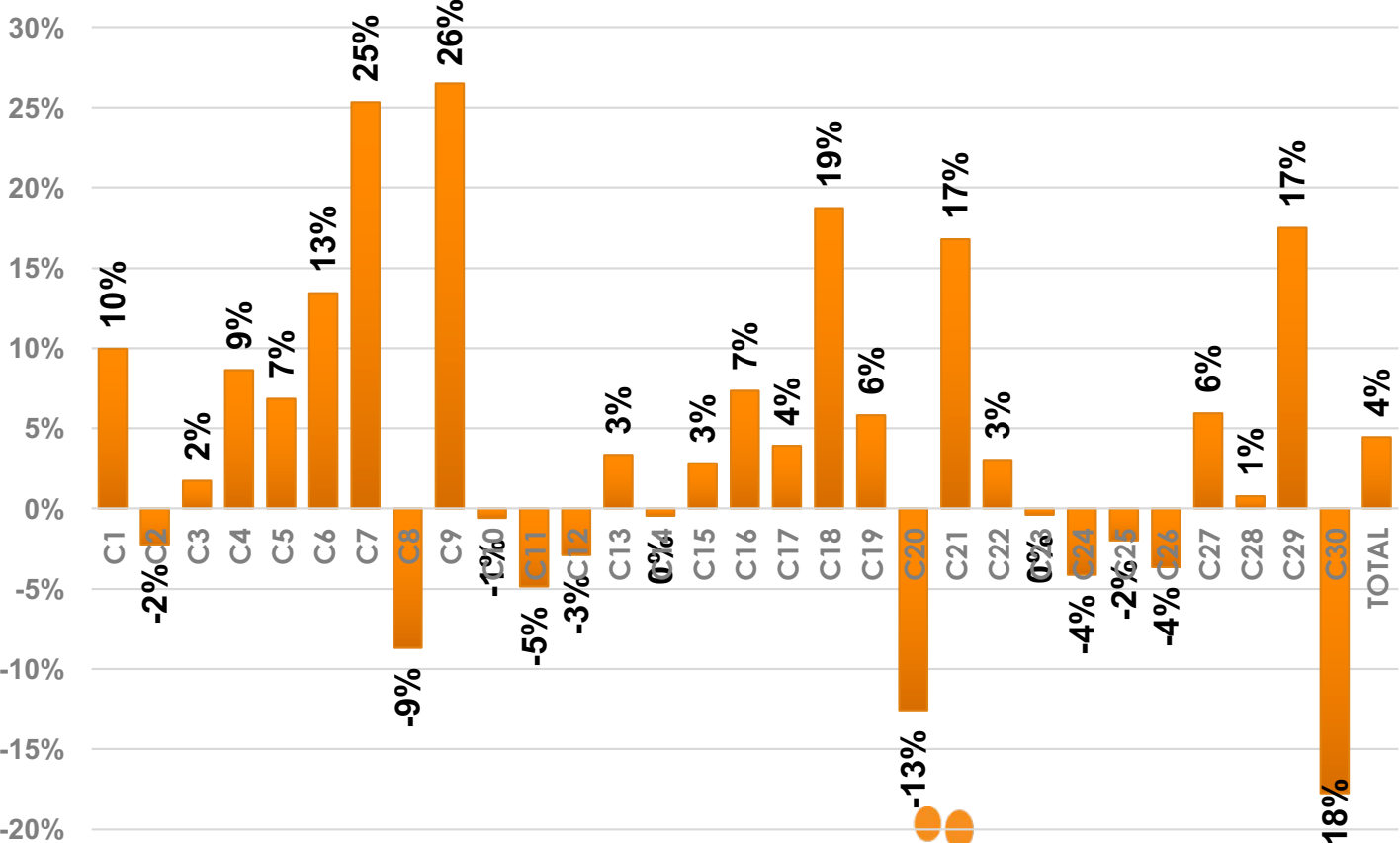
Third Quarter (Q3) 2016

The Data....



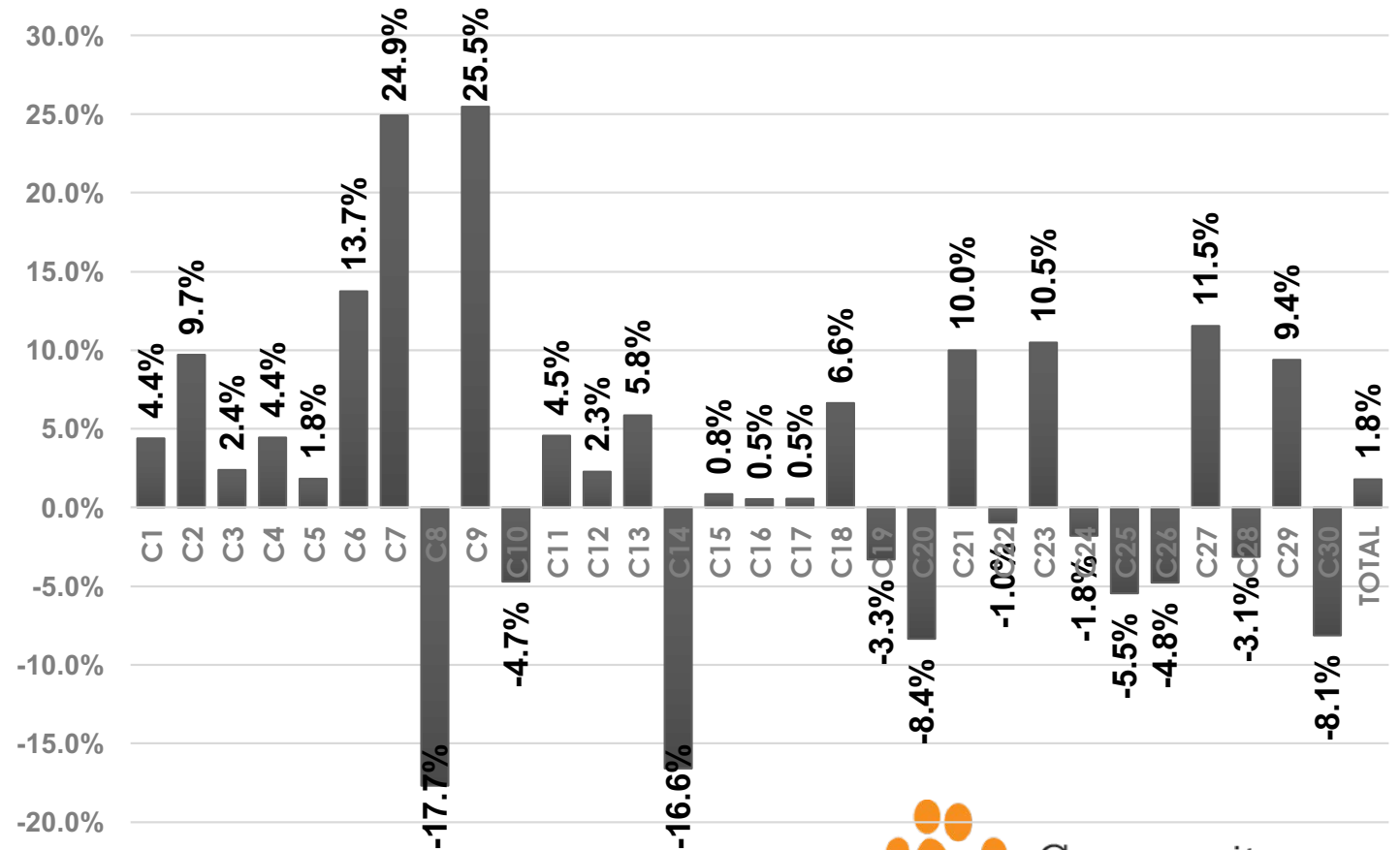
Revenue Dynamics vs. Q3 2015

AVERAGE: 3.9%
MEDIAN: 2.9%
LOW: -17.8%
HIGH: 26.5%



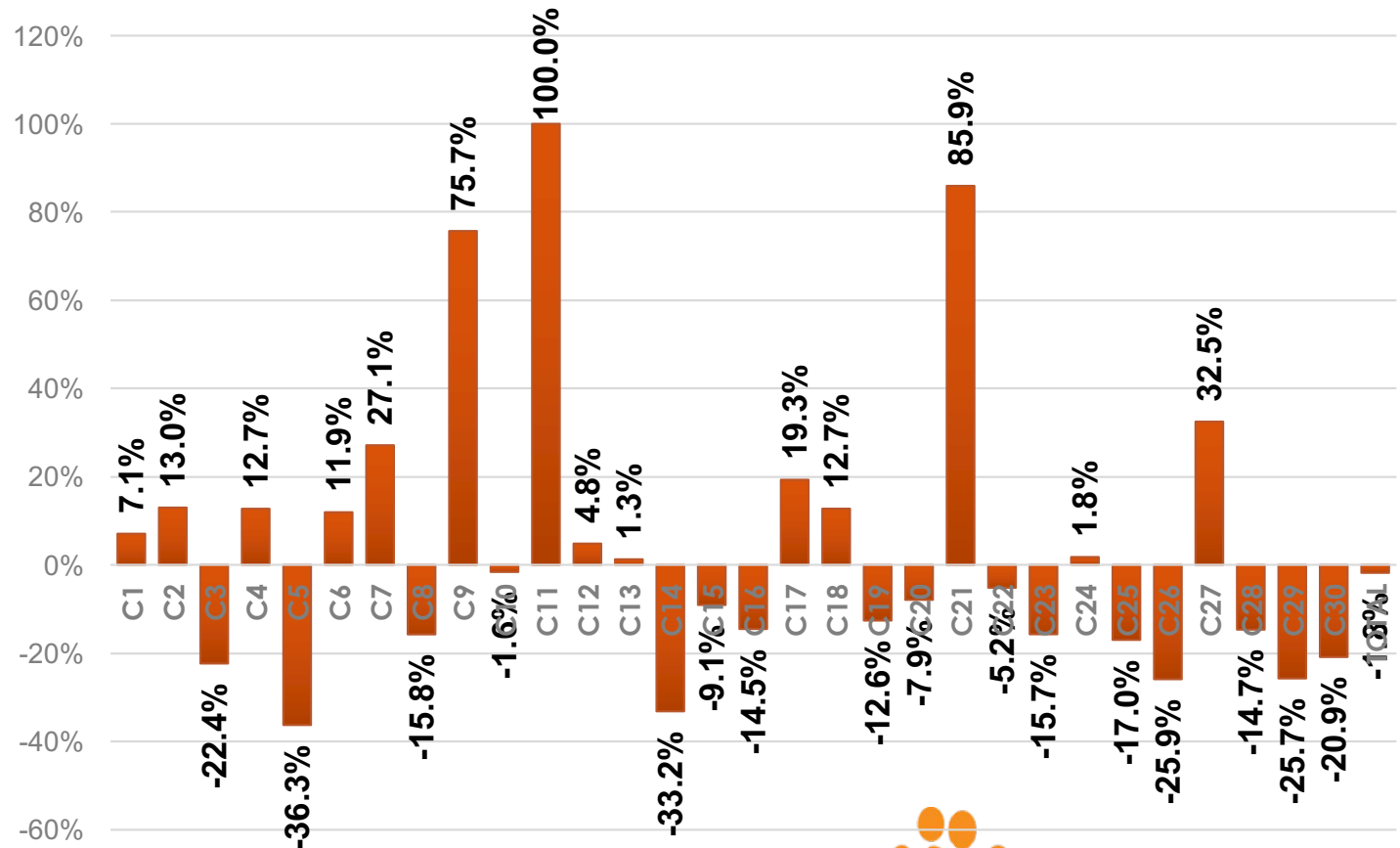
Transaction Dynamics vs. Q3 2015

AVERAGE: 2.5%
MEDIAN: 2.0%
LOW: -17.7%
HIGH: 25.5%



New Client Dynamics vs. Q3 2015

AVERAGE: 4.2%
MEDIAN: -3.4%
LOW: -36.3%
HIGH: 100%





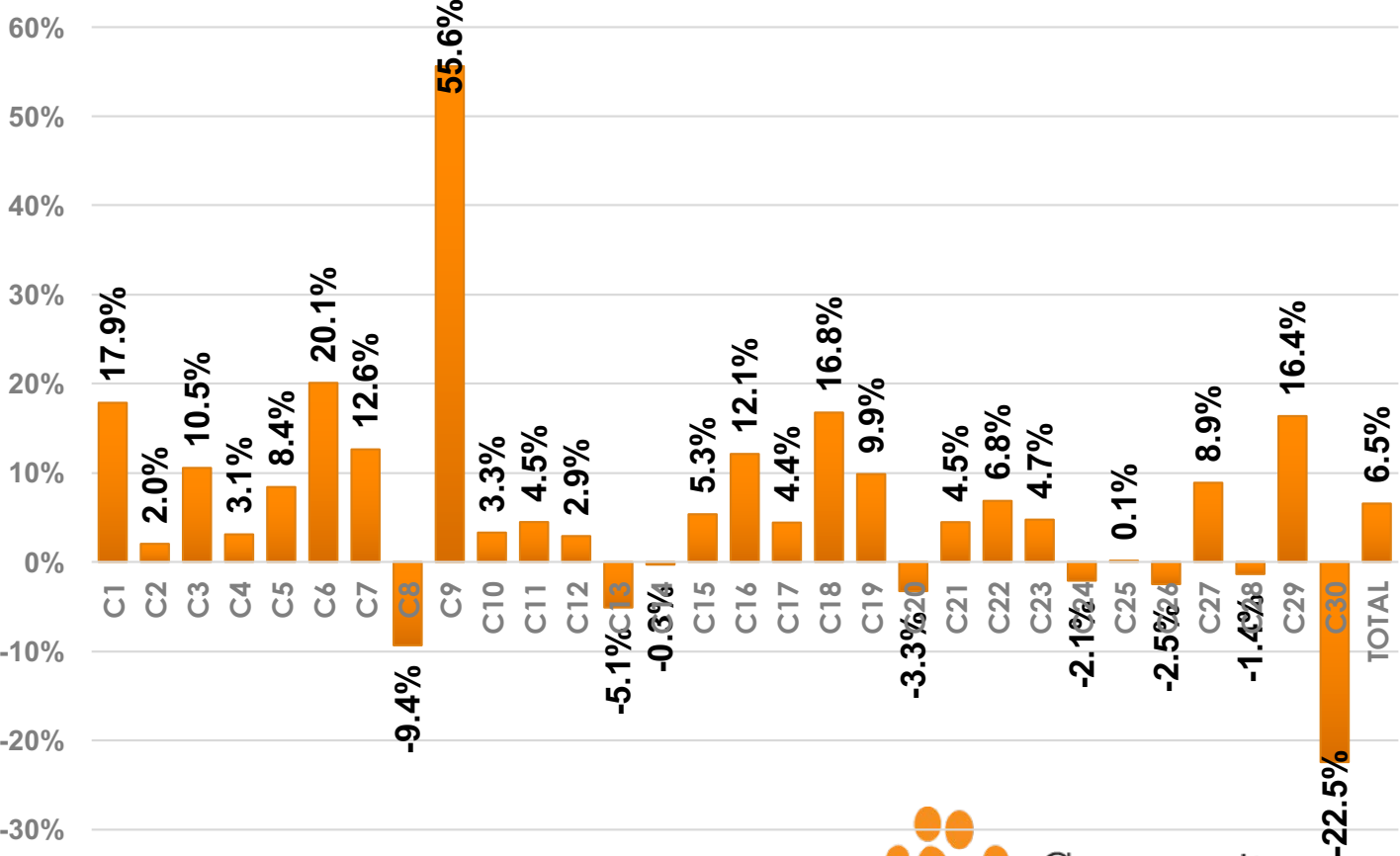
Fourth Quarter (Q4) 2016

The Data....



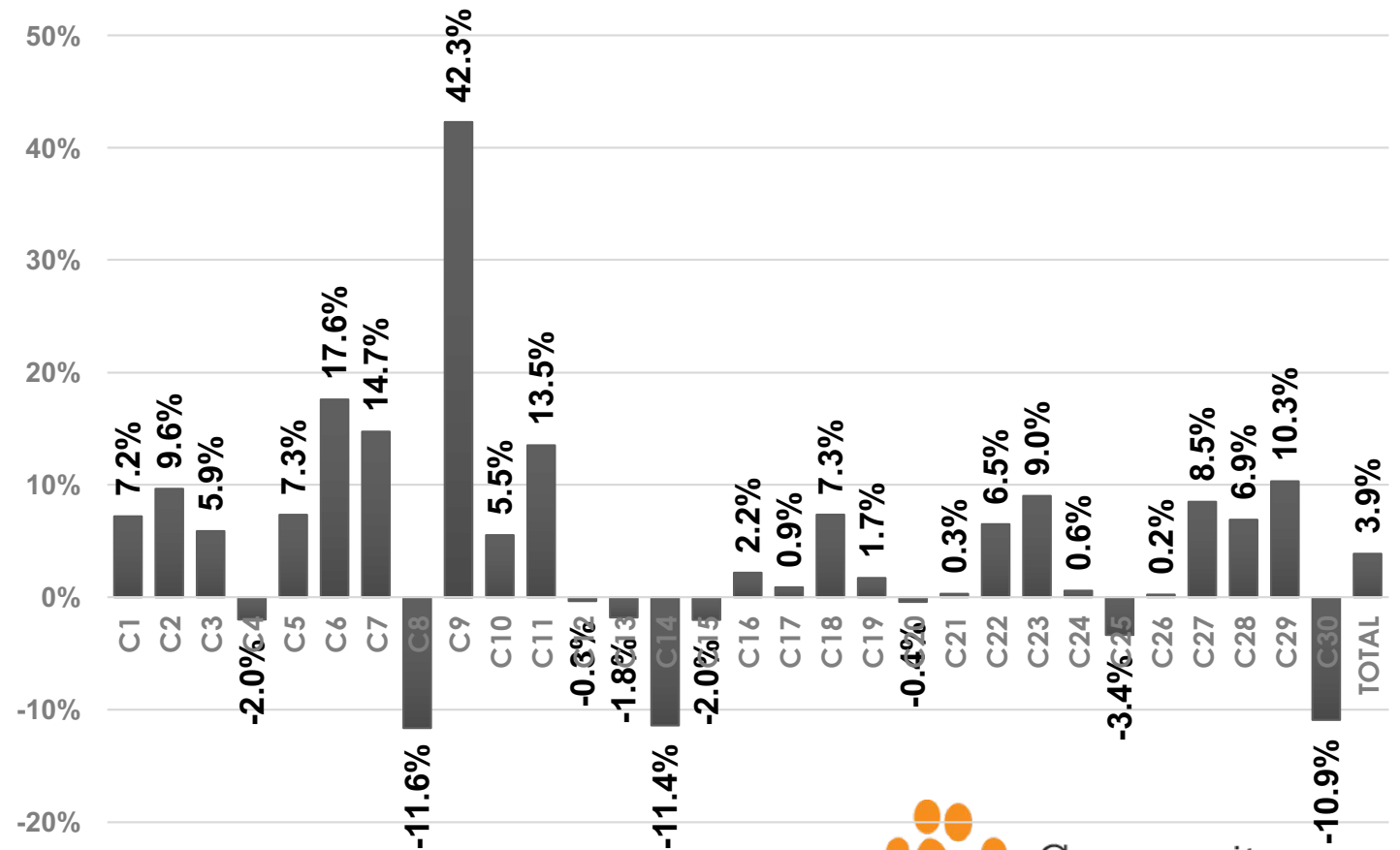
Revenue Dynamics vs. Q4 2015

AVERAGE: 6.1%
MEDIAN: 4.5%
LOW: -22.5%
HIGH: 55.6%



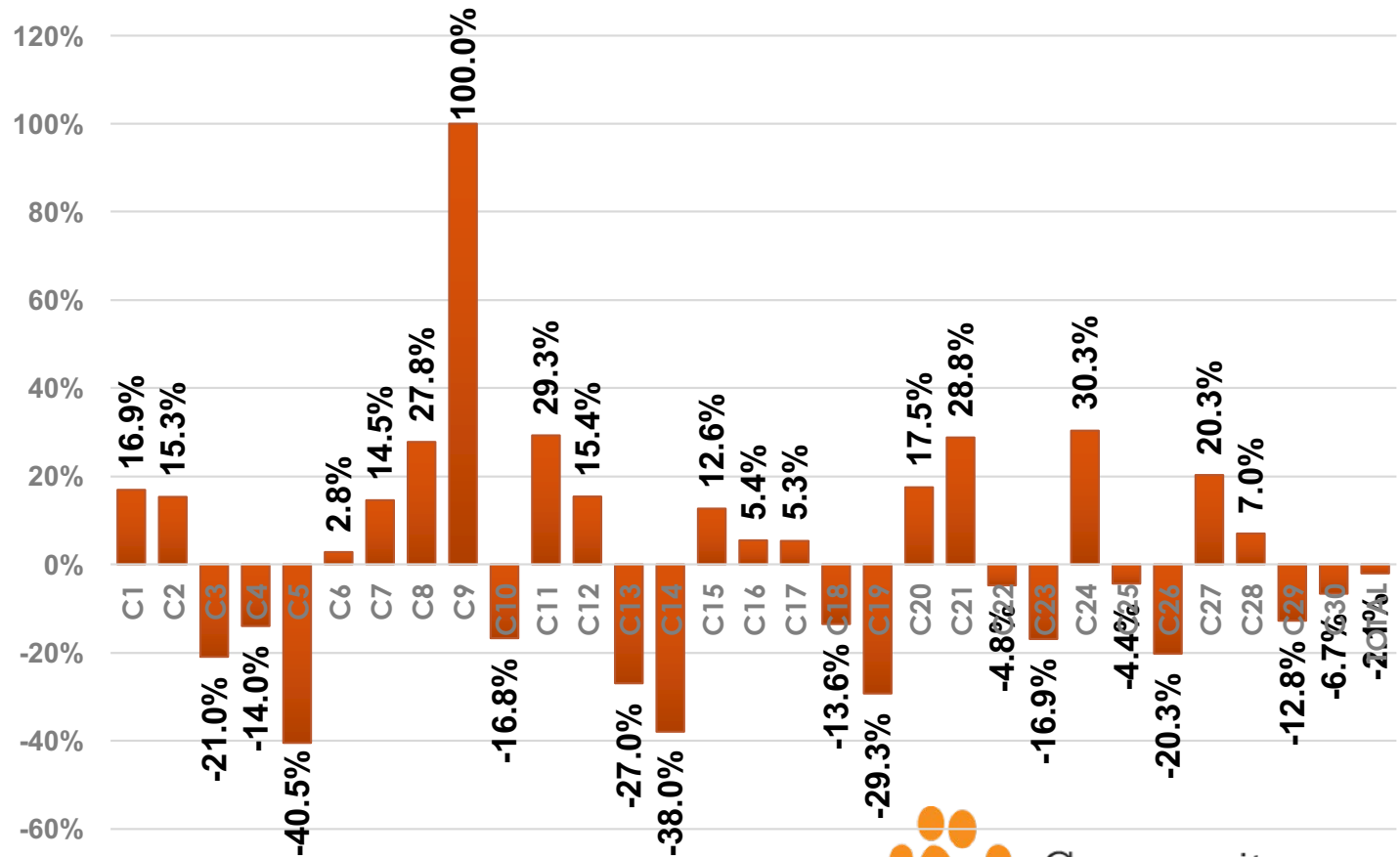
Transaction Dynamics vs. Q4 2015

AVERAGE: 4.5%
MEDIAN: 3.8%
LOW: -11.6%
HIGH: 42.3%



New Client Dynamics vs. Q4 2015

AVERAGE: 2.8%
MEDIAN: 4.0%
LOW: -40.5%
HIGH: 100%



In Summary

- 2016 proved to be reasonably successful for most group members. For the third straight year in a row, most key performance indicators ended up on the positive side of the equation.
- Revenue – Revenue growth increased throughout the year for the majority of member hospitals. Total revenue for the entire study population was close to 9% with the median value just under 6% .
 - The first quarter showed the most aggressive growth for the year with the median value just under 8%.
 - Growth in the second quarter seemed to slow (median value 5%) compared to prior period and then further into the third quarter (median value 2.9%).
 - The fourth quarter seemed to recover somewhat as median growth was reported at 4.5% over prior period.
- Transactions – Although following similar seasonality, transaction volume did not keep pace with practice revenue dynamics. For the year, median growth did not exceed 3% across the study population.
 - Peak transaction growth was observed in the first quarter at 5.7%.
 - Significant volume slowing was observed in the remainder of the year with the second, third and fourth quarters seeing transaction growth less than 4% over prior year.
- New Clients – New client growth values were highly diverse with many practices reporting significant growth in new client numbers while other reported substantial contraction of new client values. For the year, the total population finished flat with new client numbers just under 1% less than 2015.
- Moving into 2017, we will watch for new client number dynamics as an indicator if the market is seeing a broader maturation and reduction in the total pool of new clients.



Appendix 1: Policies: CVP Member Network Management Group Antitrust Compliance Policy

The purpose of the Member Network Management Group is to aggregate and disseminate relevant, timely, local industry trends and market dynamics in order to better serve and meet the needs of our clients and patients. Members shall not enact or enforce any rule which restricts, limits, or interferes with participants in their relations with each other, in their doctor/patient/client relationships or in the conduct of their business in the following areas. Participating Members and their representatives shall not:

- Fix, control, recommend, or suggest fees charged for services.
 - Fix, control, recommend, or suggest the compensation offered by other participants.
 - Base dues, fees, or charges on commissions, listed prices, or sales prices on another participant's pricing structure. Fees and charges should directly relate to the costs incurred in bringing services to clients.
 - Prohibit or discourage cooperation between participants and other veterinary professionals that do not participate in the Member Network Management Group.
 - Prohibit or discourage participants from participating in political activities.
 - These policy prohibitions are subject to and limited by applicable statutes, ordinances, and governmental regulations, to agreements entered into by the Member Network Management Group and an agency of government, and to final decrees of courts or administrative agencies.
- Version 1.6 – September 15, 2016