

**From:** [REDACTED]  
**To:** [REDACTED]  
**Subject:** [REDACTED]  
**Date:** 21 November 2024 18:02:03  
**Attachments:** [REDACTED]

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Dear CMA

Further to your report on approach to profitability and financial analysis, below is a response to some of the areas where you have invited comment. We hope the responses are useful in informing further your investigation and this response is sent on behalf of the

[REDACTED]

1. [REDACTED]
2. The only corporate with a bespoke Practice Management System is Medivet. Other LCG's have at most made small bespoke modifications to existing market PMS systems at minimal cost
3. Freehold properties – our approach to these is only to revalue when business ownership changes and at a significant percentage, otherwise it is immaterial. We revalue by using accredited chartered surveyors with a minimum level of experience in the field and getting three valuations for each property. We are occasionally required to revalue by the banks when the properties are used as collateral for business borrowings
4. Intangible assets – we value the business based on EBITDA and this takes into account many of the intangible assets listed in the report. Most LCG's have purchased on this basis. As such the intangible assets listed are questionable. Marketing costs for household pet veterinary service delivery have been very very low in the period you are investigating as demand has exceeded supply. Also in this period, start up losses have been recoverable in a very short period of time
5. Potential inefficiencies – other legitimate reasons include
  - a. offering services in areas of low population density. We are seeing the impact on animal care of practices consolidating to larger central sites and expecting clients to travel further. It is more efficient and can reduce cost to the consumer at point of use but there are increased costs to the consumer to reach the service location and there is also the impact that this cost, effort and time can have on help seeking behaviour.

- b. differences in buying in price of medicines to the practice and higher wastage of medicines in smaller practices (lower work volumes meaning vial broach dates exceeded before medicines used up).
- c. Practices which themselves provide clients with a 24/7 service incur more costs than those who contract it out to a provider. The reasons for this are around different charging for this service and different working efficiency. An on call service at the practice is less efficient to deliver in terms of veterinary time than a staffed service with a reliably “full” caseload through servicing more clients and thus cases. Thus on call per practice brings in less revenue but requires more staff on the day rota such that the on call can be provided within reasonable working time arrangements. Practices that do their own out of hours have never, and still do not, pass on the full costs of this service through charges at the point of use whereas the sole emergency providers do. Practices which don’t provide OOH and don’t incur these costs are not cheaper than those practices that do provide it and thus there may be a very legitimate inefficiency in practices providing their own OOH but this has huge value to the consumer and their pet – they may however not appreciate it until they come to need it! The option to separate emergency care at anti social hours from care during more normal working hours is an area of veterinary service provision that requires more consideration from the perspectives of the animal owning public, animal welfare and the vets delivering the service. Blunt remedies here have significant risks for animal health and welfare and consumers themselves

6. Cost metrics to inform legitimate inefficiencies –

- a. [REDACTED]
- b. data from practices which provide their own out of hours service as to the number of cases they see out of hours per FTE vet employed per site offering OOH care. Will inform the legitimate inefficiencies of this service especially if you also look at the relative costs to the consumer of cases managed at own clinic as opposed to outsourced service. I think this is a key point when looking at costs for the consumer – costs for lifetime care of the pet is what should be considered and breaking the service into individual points of care has unintended consequences both for the overall consumer spend and future availability of care for the animals

- 7. We use imputed costs to compare where there are different funding approaches between businesses. Business owners who work in as well as invest in a veterinary practice business may show very differently in accounts, especially if they are paid through company dividends as opposed to a professional salary for their work. An LCG paying its investors through high debt interest repayment levels and accounting for all staff costs required to provide the revenue is not a comparable structure when comparing profitability
- 8. Other countries – understanding the state sponsored Scandinavian model of out of hours care might be informative. There are also veterinary organisations
- 9. We proportion costs not associated with a single activity on the basis of what each

species department would need on a stand alone basis. This also allows us to calculate any advantage of being run as a single entity by looking at the resultant total.

10. When looking at revenue per FTE vet, it is very important to understand the make up of that work due to the marked differences in costs associated with the different areas of work – work in a consulting room as opposed to work requiring an operating theatre with appropriate aftercare or work requiring not only the use of capital equipment but in patient facilities also

Many thanks

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