

Q3

MARKET UPDATE
OCTOBER 2026

Veterinary Practice Market Pulse



Backed by extensive research and data
exclusively from Ackerman Group

Q3MARKET UPDATE
OCTOBER 2026

Letter to Our Readers

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Ackerman Group is proud to bring you this latest edition of our quarterly research report. Backed by our extensive practice sales dataset and our team's decades of experience advising on transactions, this report is intended to provide veterinary practice owners, as well as the broader profession, with insights and analyses found nowhere else in the industry.

While not a detailed guide to selling your hospital, this report highlights real-time trends we are observing in the market to help position you and our clients for the best outcomes possible during a sale process.

Should you find yourself thinking about selling your practice and wish to take advantage of our unmatched market experience and extensive dataset, Ackerman Group is ready to assist you from beginning to end. Hundreds of veterinarians have entrusted us with advising them on the sales of their practices, and during the increasingly important time post-sale, when incremental value is frequently earned in transactions today. Our goal is to align with your personal, professional, and financial goals.

We wish you and your practice continued success. Don't hesitate to reach out with your questions!

A handwritten signature in black ink that reads "Rich Lester".

Rich Lester

Chief Executive Officer,
Ackerman Group

A handwritten signature in black ink that reads "Gary Ackerman".

Gary Ackerman

Chairman Emeritus,
Ackerman Group

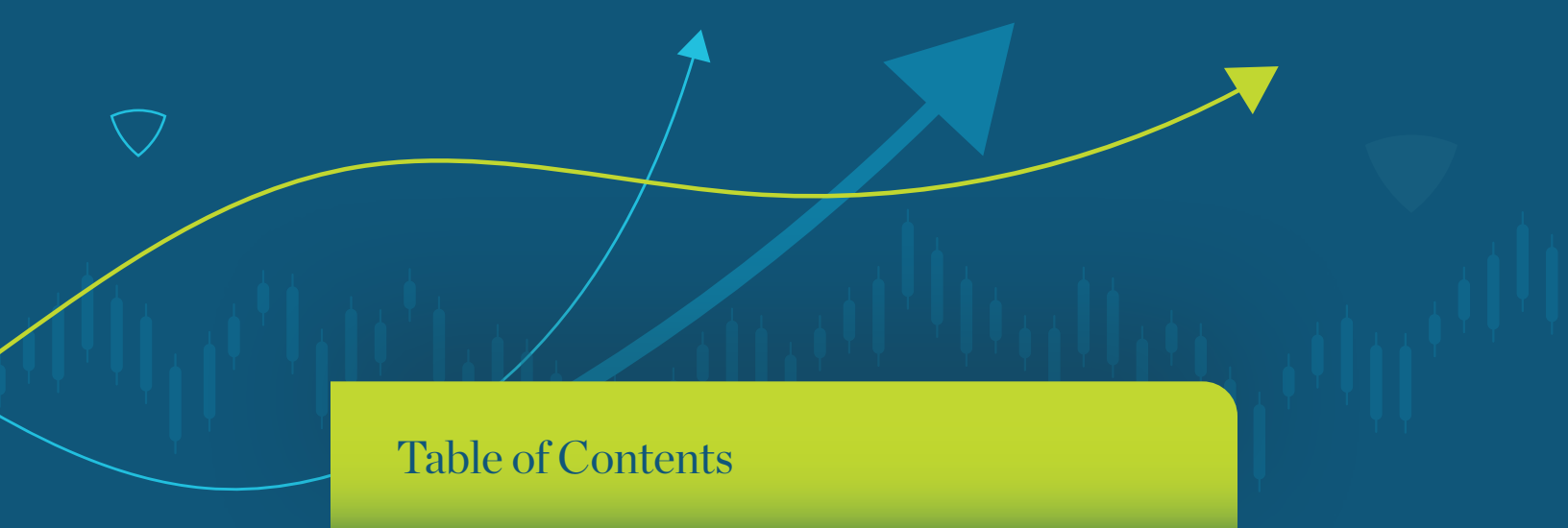


Table of Contents

Executive Summary

4

New!

PRACTICE OWNER ADVICE:

AI Adoption and Your Hospital

5

U.S. Economy

7

Practice Spotlight

8

Veterinary Industry Headwinds

10

Veterinary Valuations

12

Conclusion

14



Q3 Market Report

More about Artificial Intelligence

16x+

High-end practices still commanding 16x+ multiples

+0.25%

The Federal Reserve raised interest rates 0.25% in September

80%

Chance of another rate increase in Q4 2026, per the predictions market

5th

2026 is expected to be the fifth straight year of 2-3% invoice declines



Valuations Appear to Be Holding Steady

Veterinary practice valuations appear to be holding steady for 2H 2026 with high-end practices still commanding 16x+ multiples.



The Federal Reserve Raised Interest Rates

The Federal Reserve raised interest rates 0.25% in September, and prediction markets such as CME FedWatch and Kalshi indicate an 80% chance of another rate increase in Q4 2026.



Invoice Growth Remains Challenged

Veterinary invoice growth remains challenged with 2026 expected to be the fifth straight year of 2-3% declines.



AI Adoption Is Driving Efficiency and Growth

Artificial Intelligence (AI) adoption is driving efficiency and growth at independent practices and corporate groups that lean into the technology.

Before we provide our update on the U.S. economy, the veterinary industry headwinds and the veterinary practice acquisition market, we are providing an overview of AI's impact on the industry.



AI Adoption and Your Hospital

The adoption of Artificial Intelligence is occurring more rapidly throughout the economy than most new technologies and veterinary medicine is no exception.

It seems obvious that some jobs will disappear, more will change, and new ones will be created related to using AI. However, we do not believe in the doomsday scenarios of mass unemployment. In our view, the most recent comparable shift was in the 2000s when large numbers of American jobs were outsourced overseas. The American economy absorbed material job losses impacting many workers hard, while other parts of the economy grew and the economy experienced a transition, not a collapse. We expect the same with AI adoption over the next five to ten years.

What should separate winners from everyone else in a massive shift like this is who adopts it quickly and utilizes it effectively. Traditional service and product businesses that treat AI as someone else's tool will fall behind the ones that don't. The Ackerman team is adopting AI across our own business, because it is helping us drive more revenue and increasing our productivity.

Some veterinary practices are adjusting to this new dynamic. Adopting technology has become one of the more important levers an owner has for growing and improving their veterinary practice. Technology adoption is more imperative now than five years ago because invoice growth has been negative for almost five years. A growing industry provides tailwinds and helps more hospitals succeed. The current prolonged downturn in growth provides major headwinds for veterinary practices. Gaining market share in a shrinking market is a harder problem than growing in an expanding market. Individual practice owners have an imperative to adopt AI technology to compete, using it to drive revenue through better marketing and efficiency, as well as to reduce costs.

““

Gaining market share in a shrinking market is a harder problem than growing in an expanding market.

AI 101

THE INTRODUCTORY CLASS

Scribing Software

AI 202

THE ADVANCED CLASS

Scheduling

Client Retention

Marketing

and more

Corporate consolidators understand this dynamic and are deploying AI across home-office functions and hospital operations at a more rapid pace than many independent owners. Scribing software is essentially AI 101, because it is the most visible and widespread application. It is a small piece of how AI can be leveraged by practice owners. The bigger opportunities (AI 202, the advanced class) include scheduling, client retention, marketing and more.

So, the question we think all current practice owners need to ask themselves:

- 1 Have you implemented AI 101 yet -- scribing software in your practice?
- 2 If the answer is no, why not?

Putting AI to work has become a competitive necessity and the gap between practices that engage with it and practices that don't will be amplified by the industry's growth headwinds. *If you have not started implementing AI on your own, it should be a signal that you should be seeking a corporate partner or buyer who can push your hospital forward.*

““



What should separate winners from everyone else in a massive shift like this is who adopts it quickly and utilizes it effectively.

U.S. Economy

U.S. economic growth is being driven by investment in AI and the data centers to power it, with voters starting to raise concerns that most politicians are taking seriously.

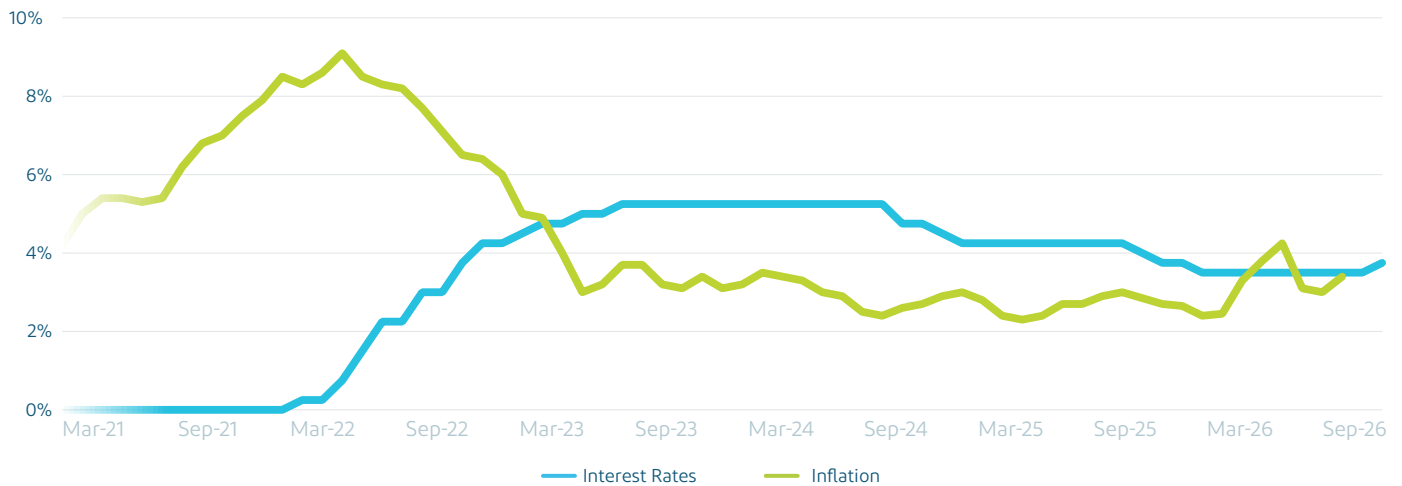
Economic growth is being constrained by inflation currently sitting at 3.4%, higher than the 2% Fed target. Oil prices above \$100 per barrel are the primary driver of the high inflation rates. These countervailing forces (AI-driven growth vs. oil-driven inflation) have led to a slowing of GDP growth to 1.5% in Q2 2026 with an expectation of 2-2.5% in Q3.

After holding interest rates steady for 9 months, the Federal Reserve raised interest rates to 3.75% in September to try to bring down inflation. The Fed is expected to have another quarter point increase in Q4. President Trump's push for lower interest rates is likely not coming until sometime in 2027.

Remember

Higher interest rates do not help veterinary valuations because the buyers of practices all borrow money at variable rates (that are now higher) to obtain capital to pay practice owners.

Interest Rates & Inflation



3.4%

Inflation, higher than the 2% Fed target

1.5%

GDP growth in Q2 2026, with an expectation of 2-2.5% in Q3

\$100+

Oil prices per barrel, the primary driver of the high inflation rates



Boone Veterinary Hospital

Boone, Iowa

Dr. Elizabeth Natz built Boone Veterinary Hospital into a strong practice in central Iowa, with four doctors. She showed that high quality medicine combined with proximity to a veterinary school does more for a sale than most owners realize by demonstrating an ability to recruit and retain doctors in a small town.



DR. ELIZABETH NATZ

She bought the hospital in Boone, Iowa in 2006 and grew it into a four-DVM practice generating more than \$3 million in revenue. In 2018, the hospital moved into a new 6,500-square-foot building she owned, adding a Vimago CT machine, solar power and an on-site crematory. The CT machine elevated the medicine and helped attract clients, staff and doctors who saw this commitment to high quality care.

Being roughly fifteen minutes from Iowa State's veterinary school became a real asset in the sale. Buyers evaluate recruiting risk carefully in small-town markets, and proximity to Ames gave buyers confidence Boone could keep hiring associates long after closing.

Dr. Natz first connected with The Ackerman Group at a webinar in April 2022. Over the next three-plus years, through conversations at veterinary conferences and by phone, with her own wealth manager weighing in, she worked through what a sale would mean, both financially and for her team. In the years leading up to the process, she also put retention incentives in place for her core staff, determined that whoever bought the practice would inherit the team that built it.

By December 2025, the timing was right for her to transition. Ackerman took Boone to market, and six buyer groups met with Dr. Natz; four came back with strong offers. The highest headline number, 14x EBITDA, carried more risk, with TopCo equity, hard to achieve earnout hurdles, and only 8x in cash at closing. After back-and-forth negotiations with Mission Pet Health, Dr. Natz chose them instead: 10x EBITDA in cash at closing, with a total value of 13x once achievable revenue hurdles are met, plus associate retention incentives. Price mattered, but so did how each buyer would treat her team. Dr. Natz remains the landlord and will consider the best long-term options for this asset after the transition with Mission is in the rearview mirror.

One associate left the practice shortly after the LOI was signed. Given Mission’s confidence in the hospital and Boone’s track record of recruiting successfully near Ames, the departure led to only minimal changes in deal terms.

2006
Bought the hospital in Boone, Iowa

2018
Moved into a new 6,500-square-foot building she owned

APRIL 2022
First connected with The Ackerman Group at a webinar

DECEMBER 2025
The timing was right for her to transition

THE OFFERS

Highest headline number TopCo equity, hard to achieve earnout hurdles	8X CASH AT CLOSING	14X EBITDA
Mission Pet Health Achievable revenue hurdles, associate retention incentives	10X CASH AT CLOSING	13X TOTAL VALUE

“The Ackerman Group supported me every step of the way and made sure my goals and my team’s were met. I’m excited for this next chapter, working with Mission Pet Health to continue growing Boone as I plan my own next chapter.”

— Dr. Natz

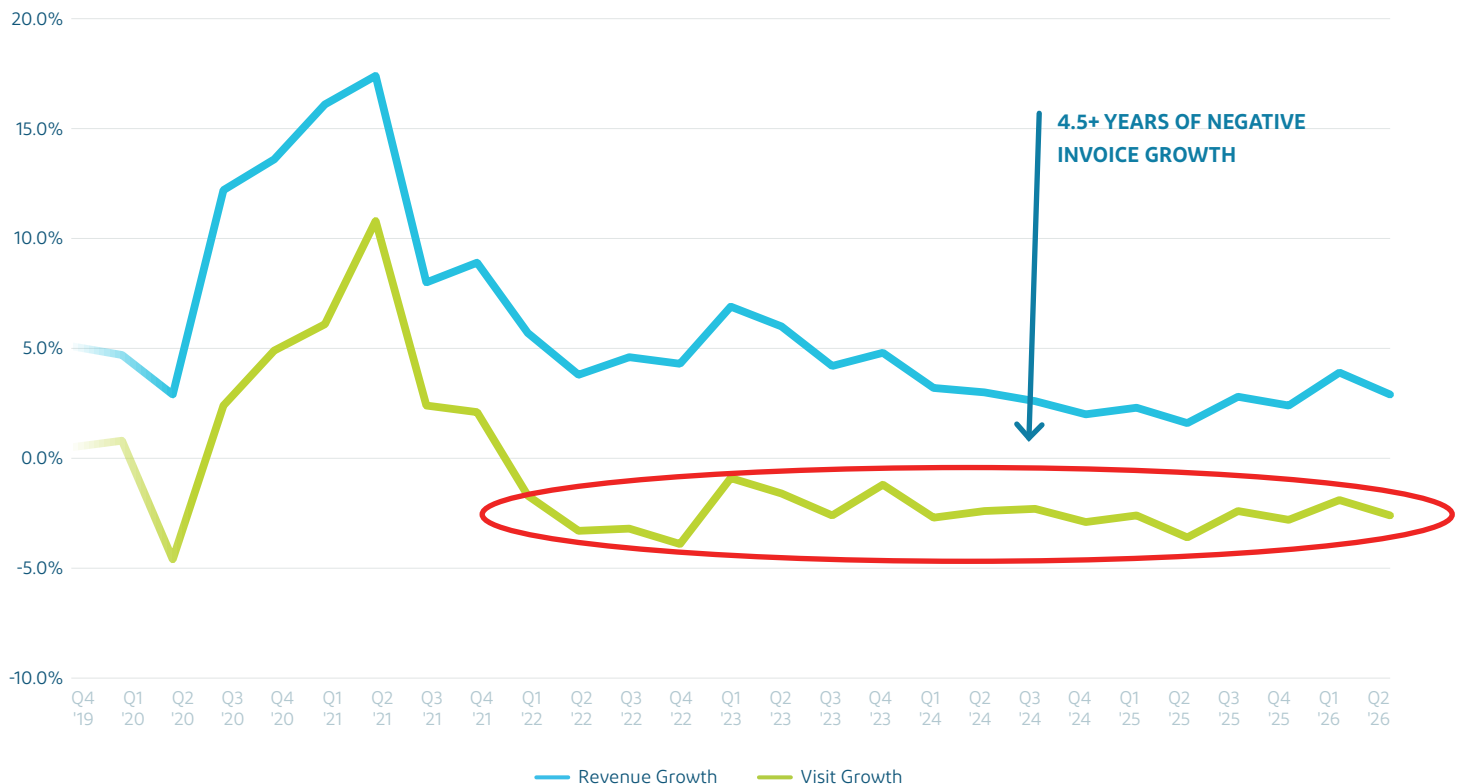


Veterinary Industry Headwinds

This story is in its fifth consecutive year as invoice growth will likely decline 2-3% again this year (2022 to 2026). This is a fundamental change from an industry that saw predictable 1-1.5% invoice growth throughout the 2010s that drove the massive private equity investment into the veterinary services industry.

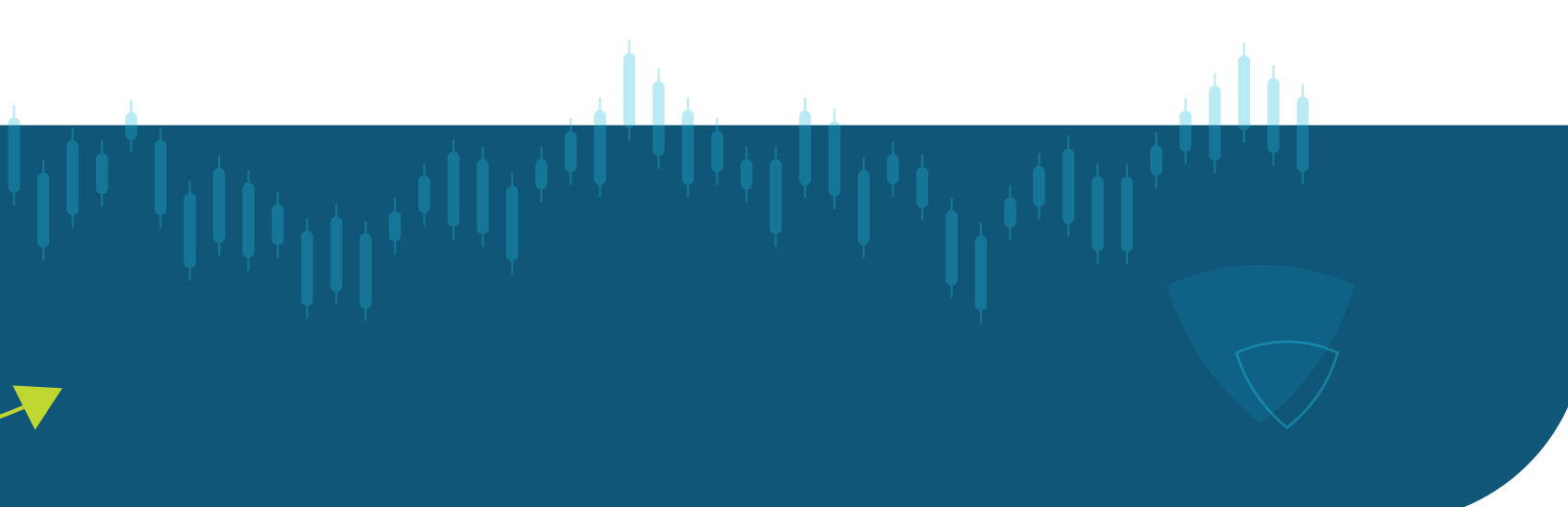
While COVID pets will start to become seniors soon and come to the clinics more often, this upside is likely offset by the post-COVID decline in dog adoptions. Dogs represent ~80% of general practice visits and while cat adoptions are up post-COVID, the decline in dog adoptions will likely have a meaningful long term negative impact on invoice trends. Dog ownership is highly correlated to home ownership and as Gen Z and Millennials delay home purchases due to affordability challenges, the decline in dog adoptions has no end in sight.

Veterinary Industry Growth - COVID Impact



Source: IDEXX data

Backed by extensive research and data exclusively from Ackerman Group



18

Consecutive quarters of invoice declines

For practice owners, the ability to drive invoice growth despite the overall industry decline will likely depend on:



Strong pet owner service driving client perception that they are receiving good value



Adopting AI to help (i) drive efficiency through scribing software and more and (ii) market to both your existing clients and bring in new clients



Staff retention to provide clients with consistent relationships with DVMs and staff



Closing of smaller practices in your area driving new clients (hopefully not offset by the opening of new competitors)

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With the industry headwinds unlikely to abate anytime soon, driving invoice growth will separate the ‘winning’ practices in each market.

Veterinary Valuations

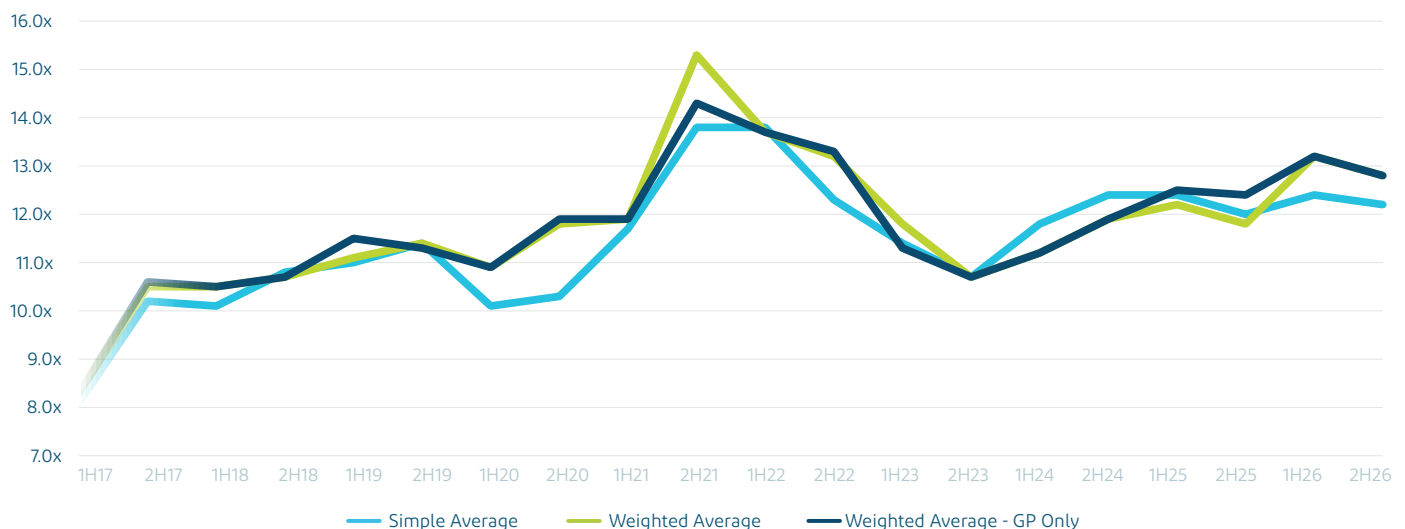
Despite rising interest rates and industry headwinds, valuations are expected to remain stable in 2H 2026 relative to 1H 2026.

Our Q3 2026 data shows the average multiples declining slightly due to a small number of closed transactions and the lack of A+ practices closing in the most recent three months. As we look at our clients with signed letters of intent that are expected to close in Q4, we expect multiples will remain relatively similar to the first half of 2026 by year end 2026. Specifically:

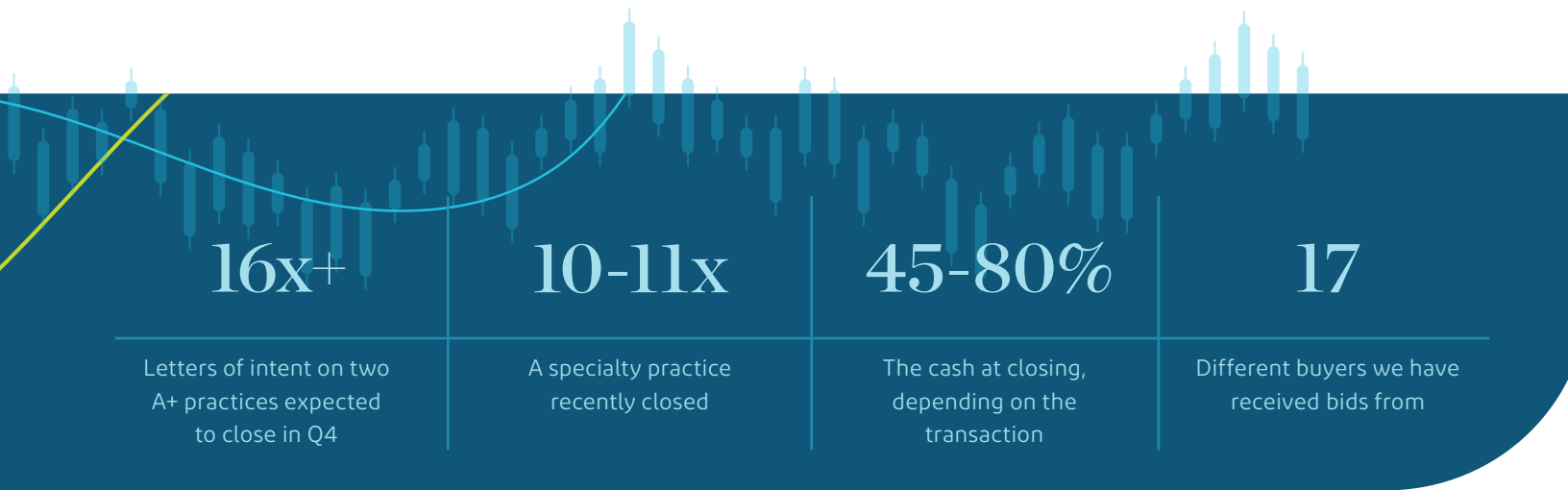
- **We expect to close the sale of two A+ practices in Q4 that have letters of intent at 16x+ EBITDA, validating the top of market values we saw earlier in the year.**
- **A specialty practice recently closed at 10–11x, and we signed an LOI for a specialty / ER practice at a similar valuation, confirming that specialty / ER practices continue to sell at a discount to strong general practices.**
- **There are more than enough buyers interested in good practices to sustain an active market for those interested in selling today.**

We have not seen any material shift in deal terms or the approaches that buyers are taking. The cash at closing remains between 45-80% depending on the transaction. This is a wide range and is very buyer dependent.

Average Multiple Trend: Half Yearly



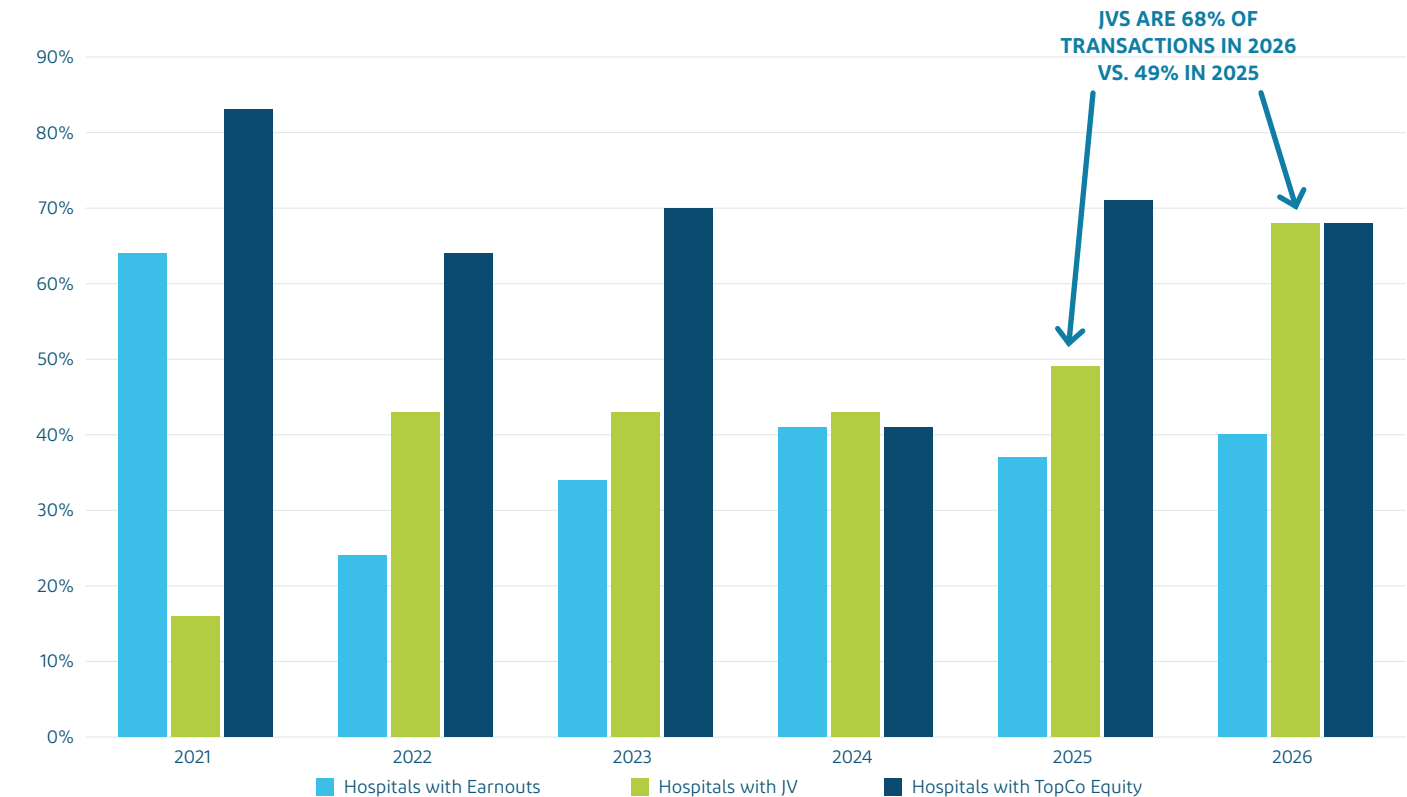
*2H26 reflects Q3 data through September 2026



Buyer activity has evolved somewhat in 2026. In 2025, we closed transactions with 14 different acquirors, while in 2026 we have closed transactions with only 6 buyers so far. However, it should be noted that we expect to close transactions with 2-3 new buyers in Q4 that have LOIs signed. For the full year 2026, we expect to sell practices to 8-9 different buyers and we have received bids from a total of 17 different buyers. **The question is, at what valuation will buyers transact? Some are not willing to pay what others will pay!**

The trend toward joint ventures by buyers continues and for the first nine months of 2026, the percentage of hospitals sold as joint ventures grew to 68% from 49% last year. The trend is clear that buyers are looking to better align incentives with the sellers by having the seller and some of the associates become true partners going forward. The number of transactions with TopCo equity continues to hover just under 70% despite concerns from sellers as to the timing of the liquidity. Our view is that the percentage of the total purchase price in TopCo equity is declining and we will validate this assumption in our next quarterly report.

Deal Structures Over Time



Conclusion

Veterinary valuations remain strong despite significant industry and economic headwinds, which has been the case for the past eighteen months.

The new market information has been the publication of data about a decline in puppy adoptions over the past 4+ years which will likely impact invoice growth until this trend reverses.

There are a number of corporate buyers that continue to outperform the market and are growing invoices above industry averages through strong DVM recruiting, utilizing AI and driving new and existing client visits through marketing efforts.

Individual practice owners will have to navigate a declining market and should either proactively adopt technology or, if that is not their strong suit, seek a corporate partner to assist them!



Questions?

Reach out to your team of advisors:



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