

Veterinary Centers to Go Public

Wall Street: Firm was taken private just a year ago, but analysts now see better reception for pet-care stocks.

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Less than a year after animal hospital operator **Veterinary Centers of America Inc.** went private in a \$321-million buyout, the company filed Thursday with the Securities and Exchange Commission to return to the public equity markets and raise up to \$240 million.

The Los Angeles-based company, which operates the largest network of free-standing vet clinics and laboratories in the United States, was publicly traded from 1991 until September 2000, when it was taken private by **Leonard Green & Partners**, a merchant banking firm.

The offering will be timed for after Labor Day, according to John Danhaki, a partner in Los Angeles-based Green.

The number of shares to be sold and the price range were not released.

Eleven months is a quicker turnaround than Green's normal "investment horizon" of three to five years after a company is taken private, Danhaki said.

But the move comes at a time when some analysts see improvement in the pet-care industry and in the field of laboratory testing.

"There are attractive factors at work, particularly involving demographics," said David Mann, an analyst with Johnson Rice & Co., who covers **PetsMart Inc.**, the No.

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1 specialty retailer of pet supplies in the country. "If you look at the number of households with animals, and with multiple animals, that bodes well for the pet supply industry and I'm assuming that would bode well for the veterinary industry as well."

But it remains to be seen whether gains in pet-related shares—**PetsMart** stock traded at \$7.51 on Thursday, up from \$3 in early spring—can help **Veterinary Centers** overcome continued weakness in the IPO market in general.

Data from IPO Monitor show that in the first six months of this year there were 44 initial public offerings that raised a total of \$21 billion and gained an average of 12.8% on the first trading day.

That's a huge drop-off from the same period in 2000, when 202 companies went public, raising \$40.8 billion. Those IPOs posted an average first-day gain of 73%.

"I think it's obvious that this year's IPO market is not as strong as last year's," said Jeff Stacey, managing director for IPO Monitor. "But last year there were some ridiculous first day 'pops.' So do you consider last year normal or is this year normal? I think we're more in the normal range this year," with first-day gains averaging 15% to 20%.

Danhaki said the company was not worried about the current IPO market.

"In general, the only reason we pursue these kinds of transactions is that we think it makes sense for the market and it makes sense for us," he said. "We believe investors will review the offering prospectus and make their decisions based on the merits."

Veterinary Centers plans to list on Nasdaq but has not provided a proposed ticker symbol.

The IPO will be co-managed by **Credit Suisse First Boston** and **Goldman Sachs & Co.**

Roughly two-third's of **Veterinary Centers'** revenue is generated from its 211 pet hospitals in 33 states, including 45 in California, according to officials with the company, headquartered on West Olympic Boulevard.

The remainder comes from its clinical lab company, which includes 15 automated labs that service 15,000 animal hospitals and vets in all 50 states.

For the six months ended June 30, total company revenue was \$202.7 million, up 14.4% from the year-earlier period.

Revenue for 2000 was \$354.6 million, up from \$320.5 million in 1999, according to the prospectus.

The company's diagnostic labs offer sophisticated testing and consulting services, according to the prospectus. The hospitals offer medical and surgical services including vaccinations, examinations and dental care.