



December 16, 2024

The Honorable Elizabeth Warren  
United States Senate  
255 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Richard Blumenthal  
United States Senate  
702 Hart Senate Office Building  
Washington, DC 20510

Dear Senators Warren and Blumenthal:

Thank you for your November 18, 2024 letter to JAB Holding Company (“JAB”). We continue to appreciate your attention to the protection of consumers and their pets. Below we respond to your questions about our portfolio companies’ practices and provide background information that may offer further context for those responses.

**JAB is an Investment Firm Backed by Permanent Capital and Focused on Long-Term Growth**

As we summarized in our letter to you of August 28, 2024, JAB is an investment holding company with a track record of investing in companies over the long term. We empower management teams to set and drive their strategies to help companies grow, creating thousands of jobs and enhancing the consumer experience. JAB’s investment in NVA exemplifies this approach. Since 2020, when JAB closed its original investment in NVA, NVA has invested well over \$1 billion in expanding and improving its hospital infrastructure as well as increasing compensation to veterinarians and staff across the company. Veterinarians at NVA are, on average, compensated more than the industry average because NVA strongly believes in the long-term investment in its people. We also respectfully remind you that NVA estimates it operates fewer than 4% of all veterinary hospitals in the United States, and so NVA cannot exert market power by raising prices above competitive levels. Approximately 70% of U.S. veterinary hospitals are owned by independents, local operators, or small regional chains. As a result, the veterinary market is highly competitive and innovative, creating an industry dynamic that has helped dramatically improve the lives of pets over many years.

**Investment in Veterinary Diagnostic Laboratories**

Your letter expresses concern with consolidation of ownership in the veterinary diagnostic laboratory sector. JAB appreciates your attention to this issue, but we currently have no presence in this sector of the U.S. market. JAB’s very modest and sole veterinary diagnostic lab holding is Veterinary Pathology Group (“VPG”), which comprises six lab facilities, all of which are in Europe. Those labs conduct no business in the United States.

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### **Use of Noncompete Agreements**

Your letter asks whether NVA has required veterinarians or veterinary technicians to execute noncompete agreements since JAB acquired the business. Approximately 85% of NVA employees are not subject to noncompete agreements. NVA does not require veterinary technicians or clinic staff to sign such agreements.

When JAB acquired NVA, the company followed standard practices within the veterinary industry regarding noncompete agreements for veterinary doctors. Noncompete agreements are a longstanding and common feature of the veterinary care sector. As an investor, JAB has not interfered with NVA's standard practices. NVA alone manages the development, negotiation, and enforcement of these agreements, in line with JAB's role as a non-operational manager of its portfolio companies.

NVA does not use standardized language for its noncompete agreements. Agreements vary by jurisdiction, local laws, and by the specific terms of employment negotiations. Consistent with this practice, as an investor, JAB does not provide standard terms, language, or other directives for noncompete agreements.

### **NVA Financial Information**

Your letter requests information regarding several JAB portfolio entities' equity valuations and dividend payments to better understand NVA's ability to "invest internally and improve patient care." As we explained in our prior letter, since 2020, NVA has made investments totaling over \$1 billion in the improvement and growth of its hospitals across the country, and over \$100 million in technological systems to modernize and connect its veterinary hospitals' practices. NVA has also invested \$200 million in increased compensation and benefits for our veterinarians and staff.

To provide just a couple examples, in the last two years, NVA invested more than \$20 million in infrastructure and compensation to improve hospitals in Massachusetts and Connecticut alone. This includes the construction of one new facility, an expansion and renovation of a large specialty hospital, two general practice expansions, and one relocation.

NVA is the clear industry leader in providing veterinarians with direct ownership in the hospitals in which they work, also known as joint-venture ("JV") hospitals. Well over 350 NVA hospitals are JVs with veterinarians. As part-owners of these JV hospitals, veterinarians are entitled to share in those hospitals' profits side-by-side with NVA. We are not aware of any other veterinary platform that approaches this scale of shared ownership.

The more-than-billion-dollar investments NVA has made in hospitals' infrastructure, the increases NVA has made in compensation, and the profit-sharing dividends NVA has made to veterinarians as part of its JVs are each larger than the modest dividends NVA has paid to its

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shareholders over time. Since 2020, the first year of JAB’s ownership, NVA’s shareholder dividend has averaged less than one half of 1% of its equity value. In the last two years, as NVA has endured the impact of inflation, it essentially stopped paying dividends to its shareholders while it invested in salary increases for its people. **Simply put, since 2020, NVA has prioritized investing in its people and its infrastructure at a far greater level than the modest dividends it has paid to its shareholders.** This approach is reflective of JAB’s long-term investment horizon and permanent capital base, unlike traditional private equity firms

We also remind you that we have not executed any dividend recapitalization of NVA since our acquisition of the company in 2020.

As of 2023, NVA’s total equity value was approximately \$14.3 billion, inclusive of JAB’s ownership interest.\* Through the period you requested in your letter, NVA has paid the following dividends:

<u>Year</u>	<u>NVA JV profit sharing dividends paid to veterinarians</u> (\$ millions)	<u>NVA dividends paid to shareholders</u> (\$ millions)
2020	\$37.1	\$53.0
2021	\$64.4	\$90.7
2022	\$75.4	\$114.0
2023	\$72.2	\$6.0 <sup>†</sup>
2024 (est.)	\$78.0	\$7.5 <sup>†</sup>
<b>Average dividend, 2020–2024</b>	<b>\$65.4</b>	<b>\$54.2</b>
<b>Average yield</b>		<b>0.38%</b>

\* Equity value is calculated using the same valuation used for JAB’s publicly available 2023 audited financials, which disclose the value of JAB’s ownership interest.

<sup>†</sup> Consists primarily of required tax payments to shareholders, not resulting in any net shareholder proceeds.

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### **Pet Insurance Financial Information**

Our pet insurance businesses, Independence Pet Holdings and Pinnacle Pet Group, have not paid any dividends. As reported in JAB's audited public filings, the combined equity value of these businesses as of 2023 was approximately \$7.0 billion.

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Once again, we greatly appreciate your attention to the pet care industry and the opportunity you have given us to respond to your questions. To the extent you have any additional questions about the veterinary industry or NVA more specifically, the NVA leadership team would be happy to discuss them with you. We look forward to furthering our common goals to improve the lives of pets and their families.

Thank you again for your time.

Sincerely,



Joachim Creus  
Chief Executive Officer



David Bell  
Senior Partner