Baptista Research

September 05, 2023

INITIATING COVERAGE

Equity | Health Care Providers & Services

Inspire Veterinary Partners Inc. (NASDAQ:IVP; Target Price: $7.30)

Key Report Highlights	
Industry View:	Attractive
Stock Rating:	Buy
Price Target:	$7.30
Current Price:	$2.71
52-Week-Range:	$2.05 - $4.10

In a veterinary market poised to hit $241.76 billion by 2030, driven by increased pet humanization, rising pet diseases, and growing demand for pet insurance, Inspire Veterinary Partners (IVP) offers a unique investment opportunity. The company recently had its IPO and specializes in strategic acquisitions of veterinary hospitals and clinics. It aims to capitalize on the surging demand for preventive care and the general expansion of veterinary services fueled by factors like urbanization and dietary changes affecting pet health. IVP's long-term growth strategy positions it well to seize market opportunities in this booming, yet largely fragmented, industry.

Annual Income Statement	2021	2022E	2023E
Revenues	9.83	18.10	29.80
Cost of Goods Sold	-7.29	-13.42	-22.08
Gross Income (excl. D&A)	2.54	4.68	7.72
EBITDA	-2.71	-0.55	2.49
EBIT (incl. extraordinary exp)	-3.31	-1.16	1.88
Net Income	-4.91	-2.86	0.18
Cash from Operations	-2.66	2.66	5.41
Free Cash Flows	-2.79	-0.44	2.02

INVESTMENT THESIS

This is our first report on Inspire Veterinary Partners and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. Despite the veterinary market being a billion-dollar industry, it remains largely fragmented, with only about 30% consolidated. IVP stands out in this landscape by prioritizing the long-term well-being of the sector and focusing on the future needs of professionals in the field. Unlike many other consolidators, IVP is extremely selective in its acquisition strategy, opting for businesses that promise sustainable growth and attractive returns on investment. This increases their chances of discovering undervalued businesses with significant market outperformance potential. To ensure a seamless transition, IVP employs a streamlined acquisition approach that includes comprehensive financial analysis and direct engagement with existing owners. Adding a personal touch, the company's CEO personally visits each potential acquisition to interact with the staff and address any concerns. With a growing and diverse portfolio that spans from general practices to specialty hospitals like equine and emergency facilities, IVP aims to expand its revenue by targeting the acquisition of ten hospitals annually, specifically in the $1.5 to $2 million revenue range. Baptista Research looks to evaluate the different factors that could influence Inspire Veterinary Partners' price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

Growth & Margins	2021	2022E	2023E
Sales Growth	285.5%	84.1%	64.6%
EBITDA Margin	-27.6%	-3.0%	8.3%
EBIT Margin	-33.7%	-6.4%	6.3%
Net Profit Margin	-49.9%	-15.8%	0.6%

Valuation Ratios	Current	2023E	2024E
EV/ Sales	3.6	3.3	2.9
EV/ EBITDA	NA	NA	34.4
EV/ EBIT	NA	NA	-73.9
Price/Earnings	NA	NA	373.8

COMPANY OVERVIEW

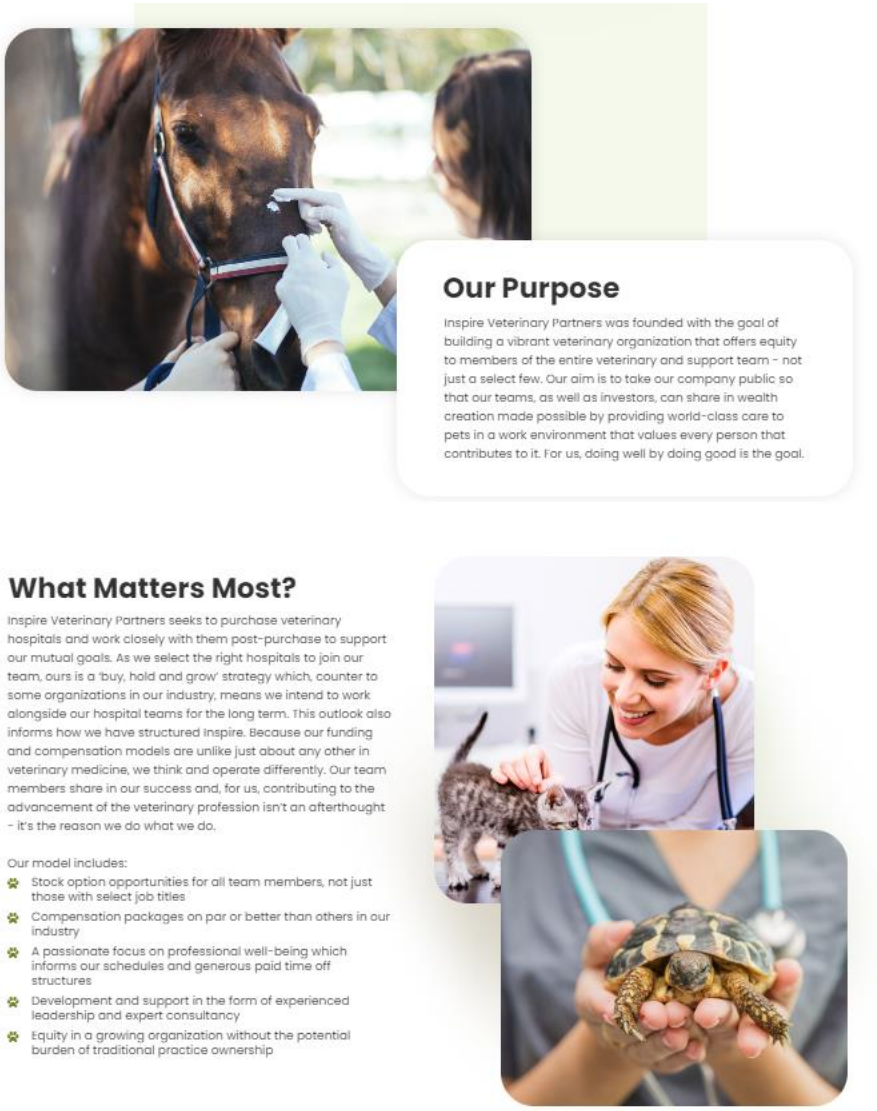
Inspire Veterinary Partners, Inc has rapidly carved out its niche in the U.S. pet healthcare landscape since its inception in 2020. The company primarily focuses on small animal general practice, extending its services to a broad range of companion animals including cats and dogs of various breeds. With a comprehensive list of offerings, the organization not only covers standard preventive measures like annual health check-ups, parasite control, and breed-specific care but also ventures into more specialized domains. Dental health, neurological evaluations, and radiology are just a few of the tailored services offered. Additionally, it offers an array of surgical services encompassing everything from common operations like spays and neuters to more complicated procedures like mass removals, splenectomies, and gastropexies. But what truly sets the company apart is its holistic approach to animal wellbeing, as evidenced by its alternative health services, such as acupuncture and chiropractic care. The company's expansive suite of services demonstrates a concerted effort to provide a multifaceted approach to pet health, emphasizing both preventive and specialized care.

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1. MULTI-FACETED GROWTH STRATEGY
2. NAVIGATING THE COMPETITIVE & REGULATORY LANDSCAPE
3. RECENT ACQUISITIONS AMID INDUSTRY COMPETITION
4. GROWTH THROUGH A SOLID MARKETING STRATEGY
5. EXPERIENCED MANAGEMENT TEAM

Multi-Faceted Growth Strategy

- Inspire Veterinary Partners has meticulously carved out a niche in the competitive veterinary landscape through a diversified portfolio of services, focusing primarily on preventive care for companion animals.
- Its broad spectrum of offerings includes annual health exams, parasite control, dental health, nutrition counseling, neurological evaluations, radiology, bloodwork, and specialized breed-specific preventive care services.
- Surgical interventions range from standard soft tissue procedures like spays and neuters to more specialized surgeries such as splenectomies and orthopedic procedures.
- Beyond traditional veterinary services, they also delve into alternative wellness options like acupuncture and chiropractic care in various locations.
- To amplify growth, the company leverages a well-defined acquisition strategy, assessing potential targets on multiple fronts such as staff quality, financial health, and existing leadership.
- The initial focus has been on small animal general practices in markets teeming with pet populations but not necessarily in urban centers.
- Recently, Inspire Veterinary Partners broadened its service mix by entering the equine care sector with the acquisition of The Pony Express Veterinary Hospital.



Source: Company Website

- Looking ahead, the firm plans to venture into emergency care and mixed animal care sectors, including additional equine and bovine care.
- The company employs a field support structure that's nationally distributed, enabling it to scout acquisition targets across most U.S. states, barring those with complex veterinary guidelines like New York.
- However, Inspire Veterinary Partners recognizes the risks and challenges associated with its growth model. These include a national shortage of credentialed veterinary talent, the costs and time investments required for due diligence before acquisitions, and the pressures of achieving growth and profitability targets post-acquisition, given the rising costs of talent acquisition and staffing.
- Despite these challenges, the company remains steadfast in its mission to deliver comprehensive veterinary care while pursuing aggressive but calculated growth.

Navigating the Competitive & Regulatory Landscape

Source: Company Presentation

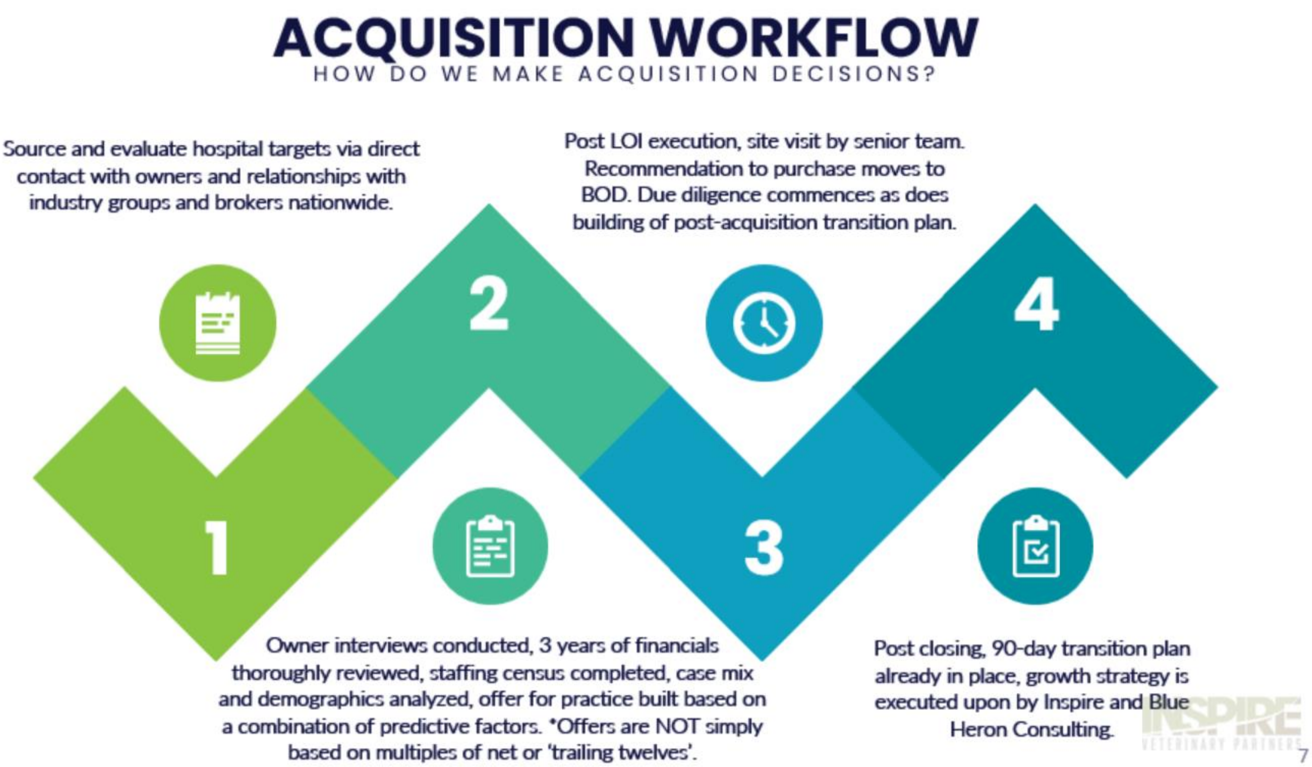
- In an industry teeming with competition, where roughly 13 national and 30 regional consolidators own or operate about 6,000 of the nearly 30,000 veterinary hospitals in the U.S., Inspire Veterinary Partners is making its mark through a blend of unique strategies and stringent compliance with government regulations.
- Companies like Mars and NVA dominate the sector with about 4,000 hospitals, while other noteworthy competitors include Pathway/Thrive, VetCor, and Southern Vet Partners.
- Many entities are diversifying through acquisitions and technology purchases, blurring the lines between general and specialized veterinary services. Inspire has managed to differentiate itself in several key ways.
- They also adopt a personalized approach to acquisitions, allowing each acquired hospital to maintain its unique practice methods and identity, thereby appealing to sellers who are wary of the homogenized models of larger competitors.
- Further, they provide a customized, coaching-based workflow for each clinician and are disciplined in their acquisition strategy, emphasizing depth of financials over more commonly used metrics like high multiples of EBITDA.
- Government regulations also pose a unique challenge, as veterinary care and ownership guidelines vary from state to state.

- For instance, Texas has stringent ownership laws, while Indiana offers more flexibility. Inspire is currently operating in compliance with both states' laws. They are also cautious about non-credentialed personnel, especially in states like New York that have stringent rules.

- Although they don't operate in New York currently, the option remains open. Additionally, Inspire diligently complies with Drug Enforcement Agency regulations concerning the use and storage of controlled and scheduled drugs.

- By maintaining legal compliance across different states, they position themselves to acquire and operate wherever they choose, effectively broadening their scope in a competitive market.

Recent Acquisitions Amid Industry Competition



Source: Company Presentation

- In an aggressive expansion strategy, Inspire Veterinary Partners completed a series of acquisitions from January 2021 through December 2022, significantly diversifying their holdings across various states.

- They kicked off by purchasing Kauai Veterinary Clinic in Hawaii for $1.5 million, also acquiring the real estate for an additional $1.3 million. They followed suit in August 2021, taking over Chiefland Animal Hospital in Florida for $285,000 and its real estate for $279,500.

- The acquisition spree continued through the end of 2021, with Inspire acquiring Pets & Friends Animal Hospital in Colorado for $318,750 and its real estate for $216,750, financed through WealthSouth. In 2022, they began with Advanced Veterinary Care of Pasco in Florida, purchased for $1.01 million.

- The following month, they added Lytle Veterinary Clinic in Texas for $662,469, including real estate for $780,000. Also, in February, Southern Kern Veterinary Clinic in California was acquired for $1.5 million and its real estate for $500,000.

- By mid-2022, they expanded into Maryland with Aberdeen Veterinary Clinic for $574,683 and then acquired Dietz Family Pet Hospital in Texas for $500,000.

- In May, they added Bartow Animal Hospital in Florida for $950,000 and its associated real estate for $350,000. August saw the acquisition of All Breed Pet Care in Indiana for $952,000, including real estate for $1.2 million.

- The most recent acquisitions in September and December 2022 were The Pony Express Veterinary Hospital in Texas for $2.6 million, Williamsburg Animal Clinic in Massachusetts for $850,000, and The Old 41 Animal Hospital in Florida for $711,000, each also involving real estate and various financing arrangements, often including convertible promissory notes.

- Through these acquisitions, Inspire Veterinary Partners not only broadened its service offerings but also strategically penetrated markets with diverse regulatory landscapes.

- Each acquisition was meticulously financed, often involving WealthSouth and various financing instruments like convertible promissory notes.

Growth Through A Solid Marketing Strategy

- In a bold growth strategy, Inspire Veterinary Partners anticipates a need for $15 to $20 million in new capital through 2024 to fuel its ambitious acquisition pipeline.

- The company aims to acquire ten new locations per year, targeting a total of 50 acquisitions across the United States over the next five years.

- While new practices are not off the table, the emphasis is on existing veterinary hospitals. The company plans to diversify its services by branching out from small companion animal care to include mixed animal facilities offering bovine and equine care, as well as specialty hospitals.

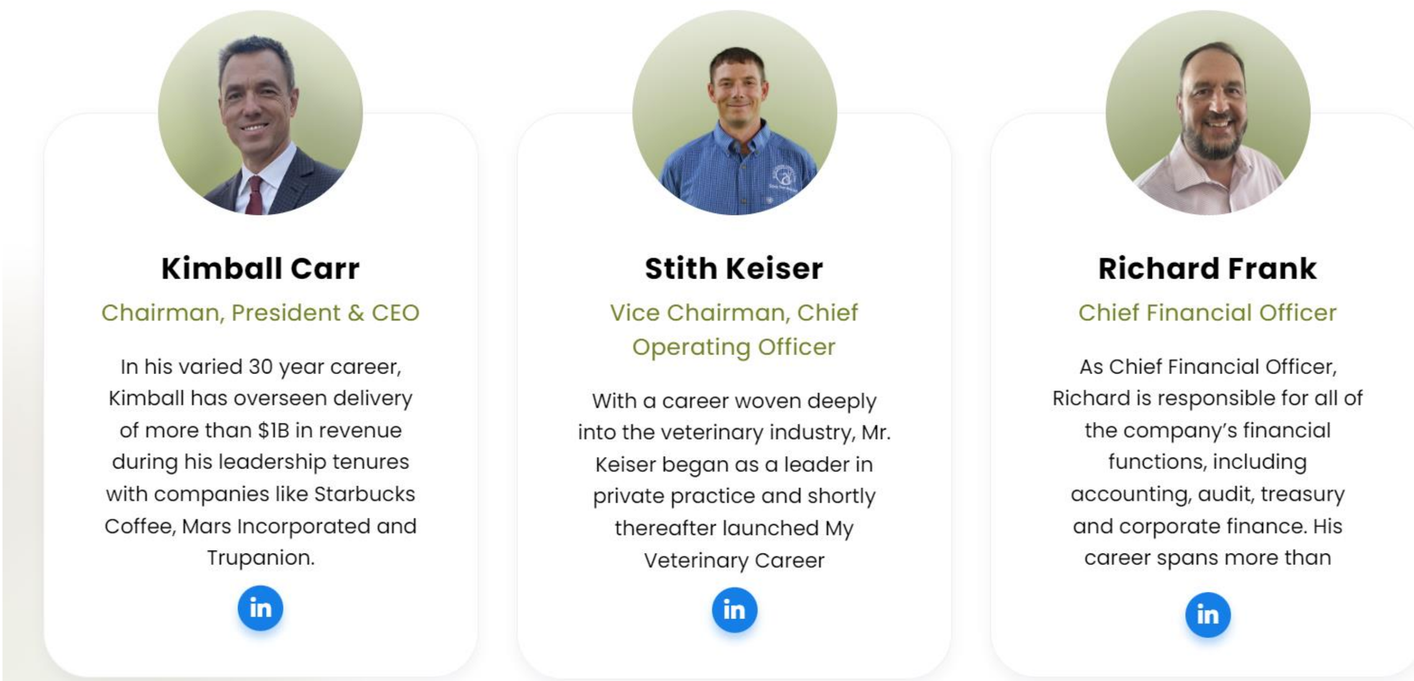
- Acknowledging the vast market opportunity, Inspire Veterinary Partners notes that less than 30% of the over 28,000 veterinary hospitals in the United States have been consolidated, signaling a large upside potential for further acquisitions.

- On the sales and marketing front, the company has already made inroads by establishing contacts with most major veterinary brokerages and securing deals across all U.S. regions.

- This has resulted in a robust pipeline, enabling the company to extend letters of intent to approximately 10% of the hospitals analyzed. To support this rapid growth, the company's acquisitions and valuation team is already in place, and plans are underway to expand it further.

- This would allow for deeper industry integration, organic lead generation, and the leveraging of existing relationships with service and product suppliers, thereby solidifying Inspire Veterinary Partners' footprint in the veterinary care industry.

Experienced Management Team



Source: Company Website

- The management team of Inspire Veterinary Partners is a powerhouse of expertise, led by Kimball Carr, who serves as the Chief Executive Officer, President, and Chair of the Board.

- With a multifaceted career spanning 30 years, Carr has honed his leadership skills at major companies like Starbucks and Mars Incorporated.

- His experience spans veterinary and field operations, startups, leadership development, and growth strategies. He has overseen teams of over 2,000 professionals and has been responsible for revenues exceeding $1 billion.

- Carr's connections within the pet care industry are set to be a vital asset for Inspire Veterinary Partners.

- He is complemented by Richard Paul Frank, the Chief Financial Officer Nominee, who brings over two decades of enterprise-wide finance experience.
- His background includes work with e-commerce, legal services, and private equity-owned companies, offering a diversified skill set that includes operations, business development, and marketing.
- Completing the executive trio is Charles Stith Keiser, who serves as Chief Operating Officer. Keiser has a lifetime of experience in veterinary medicine, as he is the son of a practice-owning veterinarian.
- His career has been devoted to the industry, including roles in veterinary consulting and academia. Keiser's volunteer work further cements his commitment to veterinary care and education.
- Collectively, the team brings a balanced mixture of retail acumen, financial mastery, and deep-rooted veterinary knowledge, positioning them exceptionally well to lead the company in its ambitious growth plans.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS (USD MILLIONS)

Particulars	9/30/22	12/31/22	3/31/23	6/30/23
Revenues	2.9	3.2	4.3	4.5
% growth		*8.9%*	*34.6%*	*4.9%*
Cost of Goods Sold	-2.2	-2.5	-3.2	-3.2
% of revenue	*-74.3%*	*-79.9%*	*-74.5%*	*-71.9%*
Gross Income (excl. D&A)	0.8	0.6	1.1	1.3
% of revenue	*25.7%*	*20.1%*	*25.5%*	*28.1%*
EBITDA	-1.0	-0.9	-0.7	-0.6
% of revenue	*-34.9%*	*-27.4%*	*-16.6%*	*-14.0%*
Depreciation & Amortization	0.2	0.3	0.4	0.3
Extraordinary Expenses	0.0	0.0	-0.1	0.0
EBIT	-1.2	-1.1	-1.0	-0.9
% of revenue	*-40.1%*	*-35.8%*	*-23.4%*	*-20.7%*
Pretax Income	-1.7	-1.9	-1.5	-1.2
% of revenue	*-56.5%*	*-60.7%*	*-36.0%*	*-27.4%*
Income Tax	0.0	0.0	0.0	0.0
% rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income	-1.7	-1.9	-1.5	-1.2
% of revenue	*-56.5%*	*-60.7%*	*-36.0%*	*-27.4%*

Particulars	9/30/22	12/31/22	3/31/23	6/30/23
Cash from Operations	-1.0	-0.3	-0.3	-0.2

% of revenue	*-34.2%*	*-10.7%*	*-7.2%*	*-4.5%*
Cash from Investing	2.7	5.7	0.0	0.1
Free Cash Flows	-3.7	-6.0	-0.3	-0.3
% of revenue	*-127.1%*	*-189.3%*	*-7.5%*	*-6.9%*

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- Inspire Veterinary Partners has reported a top-line of $4.49 million in its recent quarterly result which is a 4.91% appreciation over the previous quarter.
- The company reported a positive gross margin of 28.06% for the quarter ended 6/30/23.
- Its EBITDA for the quarter was $-0.63 million and the EBITDA margin was -14.03%.
- This was a 2.56% margin expansion at the EBITDA level which is definitely a positive outcome.
- Inspire Veterinary Partners's operating income (EBIT) was reported at $-0.93 million and a margin of -20.71%.
- This EBIT margin grew by 2.65% in this quarter.
- The company's pre-tax margin for the quarter was -27.39%.
- Inspire Veterinary Partners reported a net income of $-1.23 million which resulted in a diluted earnings per share (EPS) of $-0.23.
- The company's net margin was -27.39%. Now let us move on to the cash flow generation in the recent quarter.
- Inspire Veterinary Partners burnt $-0.2 million in terms of operating cash flows for the quarter ended 6/30/23.
- The company was able to convert about -4.45% of its revenues into operating cash flows in the recent quarter.
- This quarter's EBITDA-to-operating cash flow conversion ratio is 31.75%
- Overall, Inspire Veterinary Partners delivered a negative free cash flow of $0.31 million for the past quarter.

Balance Sheet	**9/30/22**	**12/31/22**	**3/31/23**	**6/30/23**
Assets				

Net Intangible Fixed Assets	7.3	10.3	10.2	9.1
Net Tangible Fixed Assets	6.1	8.1	7.9	7.9
Total Fixed Assets	**13.3**	**18.4**	**18.1**	**17.0**
% of revenue	*456.5%*	*578.9%*	*422.2%*	*377.5%*
LT Investments	0.0	0.0	0.0	0.0
Inventories	0.2	0.6	0.6	0.7
% of revenue	*7.2%*	*18.2%*	*14.0%*	*15.6%*
Accounts Receivable	0.4	0.5	0.5	0.4
% of revenue	*14.0%*	*14.5%*	*11.7%*	*7.8%*
Cash and ST Investments	0.2	0.4	0.6	0.9
% of revenue	*5.8%*	*13.8%*	*13.8%*	*19.2%*
Other Current Assets	0.1	0.3	0.2	0.1
Total Current Assets	**0.9**	**1.7**	**1.9**	**2.1**
Other Assets	0.0	0.0	0.1	1.0
Total Assets	**14.2**	**20.2**	**20.1**	**20.0**
Liabilities & Shareholder's Equity				
Equity & Minorities	-3.8	-5.1	-6.7	-7.9
% of capital employed	*-30.0%*	*-29.2%*	*-40.2%*	*-48.9%*

LT Debt	13.2	17.4	17.8	17.5
Other LT Liabilities	0.7	0.7	0.6	0.6
Total LT Liabilities	**13.9**	**18.1**	**18.4**	**18.1**
% of capital employed	*109.3%*		*110.7%*	*112.2%*
ST Debt	2.6	4.6	4.9	5.9
% of capital employed	*20.7%*	*26.2%*	*29.5%*	*36.7%*
Accounts Payable	0.9	1.0	1.6	2.1
% of COGS	*31.2%*	*32.1%*	*36.7%*	*46.8%*
Other ST Liabilities	0.6	1.6	1.9	1.8
% of revenue	*20.5%*	*51.3%*	*43.2%*	*39.6%*
Total Current Liabilities	**4.1**	**7.3**	**8.3**	**9.8**
Total Liabilities	**18.0**	**25.3**	**26.7**	**27.9**
Total Liabilities & Shareholder's Equity	**14.2**	**20.2**	**20.1**	**20.0**

- When we look at the quarterly Balance Sheet of the company, we see that the Fixed Asset base has evolved from $18.07 million to $16.95 million over the last 2 quarters.
- The current level of fixed assets, including tangibles & intangibles, is around 377.51% of the company's quarterly turnover.
- The company's receivables were around 7.80% of the quarterly top-line.
- As a result of the negative free cash flows, the company had a final cash and short-term investment balance of $0.86 million.
- When we analyze the capital structure of Inspire Veterinary Partners, we realize that the company relies more on debt to finance its operations.
- The company's equity accounts for -48.95% of its total capital employed whereas debt (both long-term and short-term) accounts for about 148.95% of the total capital.
- Inspire Veterinary Partners's payables account for 46.77% of its cost of goods sold.

Particulars	2021	2022
Revenues	2.6	9.8
% growth		*285.5%*
Cost of Goods Sold	-1.7	-7.3
% of revenue	*-67.5%*	*-74.2%*
Gross Income (excl. D&A)	0.8	2.5
% of revenue	*32.5%*	*25.8%*
EBITDA	-0.8	-2.7
% of revenue	*-32.9%*	*-27.6%*
Depreciation & Amortization	0.1	0.6
% of Fixed Assets	*2.1%*	*3.3%*
Extraordinary Expenses	0.0	0.0

EBIT	-0.9	-3.3
% of revenue	*-36.1%*	*-33.7%*
Pretax Income	-1.3	-4.9
% of revenue	*-49.4%*	*-50.3%*
Income Tax	0.1	0.0
% rate	*-5.6%*	*0.6%*
Net Income	-1.3	-4.9
% of revenue	*-52.2%*	*-49.9%*

- When we analyze the company's annualized historical income statement, we see that the top-line was $9.83 million for the previous financial year ending in 2022.
- Inspire Veterinary Partners's cost of goods sold has decreased from -67.45% to -74.16% as a percentage of the top-line resulting in a rise in the gross margins.
- The company's overall annual EBITDA margin of -27.57% is lower than the reported quarterly EBITDA margin for the most recent quarter.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2021.
- In terms of the bottom-line, Inspire Veterinary Partners reported an operating income (EBIT) of $-3.31 million and a net income of $-4.91 million resulting in an EPS of $-0.343116701607268.
- The good news for investors holding the stock is that its net margin had increased from -52.16% in 2021 to -49.95% in 2022.

Particulars	2021	2022
Assets		
Net Intangible Fixed Assets	2	10

Net Tangible Fixed Assets	2	8
Total Fixed Assets	**4**	**18**
LT Investments	0	0
Inventories	0	1
% of revenue	*1.6%*	*5.9%*
Accounts Receivable	0	0
% of revenue	*9.0%*	*4.7%*
Cash and ST Investments	2	0
% of revenue	*80.8%*	*4.5%*
Other Current Assets	0	0
Total Current Assets	**2**	**2**
Other Assets	0	0
Total Assets	**6**	**20**
Liabilities & Shareholder's Equity		
Equity & Minorities	-1	-5
LT Debt	5	17
Other LT Liabilities	0	1

Total LT Liabilities	**5**	**18**
ST Debt	1	5
Accounts Payable	0	1
% of COGS	*1.6%*	*10.4%*
Other ST Liabilities	1	2
Total Current Liabilities	**2**	**7**
Total Liabilities	**7**	**25**
Total Liabilities & Shareholder's Equity	**6**	**20**

- Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 0.00% to 0.00%
- Its receivables of $0.46 million are about 4.68% of the top-line.
- Inspire Veterinary Partners has close to $0.44 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2022 account for around 10.38% of the cost of goods sold.
- The company's long term debt is around -3.5x times its equity.

Operating Ratios	**2021**	**2022**

Receivables Turnover	11.1	21.4
Days Receivable	32.9	17.1
Inventory Turnover	-43.0	-12.6
Inventory Days	-8.5	-29.0
Payables Turnover	-43.0	-7.1
Days Payable	-8.5	-51.1
Fixed Asset Turnover	0.7	0.5
Total Asset Turnover	0.4	0.5

Other Performance Ratios	**2021**	**2022**
Return on Assets	-21.0%	-24.3%
Return on Equity	152.9%	95.7%

- The company does not pay any dividend.
- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- As per the days receivable, the company takes an average period of 17.1 days to collect money from its clients which appears to be reasonable.
- The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory.
- As per the inventory days ratio, Inspire Veterinary Partners holds an average inventory of -29.0 days which appears to be reasonable.
- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.
- As per the days payable, the company takes an average period of -51.1 days to pay off its creditors which appears to be on the lower side and implies that it gets limited credit.
- The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company’s efficiency to its assets to generate revenues.
- Inspire Veterinary Partners's fixed assets turnover ratio of 0.5 has decreased in 2022 indicating that the company is generating lower revenues from its fixed assets.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.
- Inspire Veterinary Partners's total assets turnover has increased to 0.49 in 2022.
- Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders’ equity.
- The company's overall Return on Assets is -24.32%. Inspire Veterinary Partners' Return on Equity is 95.71%.

Particulars	2021	2022	2023E	2024E	2025E
Revenues	2.6	9.8	18.1	29.8	39.9
% growth		*285.5%*	*84.1%*	*64.6%*	*33.9%*
Cost of Goods Sold	-1.7	-7.3	-13.4	-22.1	-29.6
% of revenue	*-67.5%*	*-74.2%*	*-74.1%*	*-74.1%*	*-74.1%*
Gross Income (excl. D&A)	0.8	2.5	4.7	7.7	10.3
% of revenue	*32.5%*	*25.8%*	*25.9%*	*25.9%*	*25.9%*
EBITDA	-0.8	-2.7	-0.5	2.5	5.1
% of revenue	*-32.9%*	*-27.6%*	*-3.0%*	*8.3%*	*12.8%*
Depreciation & Amortization	0.1	0.6	0.6	0.6	0.6
EBIT	-0.9	-3.3	-1.2	1.9	4.5
% of revenue	*-36.1%*	*-33.7%*	*-6.4%*	*6.3%*	*11.3%*
EBT (GAAP)	-1.3	-4.9	-2.9	0.2	2.8
% of revenue	*-49.4%*	*-50.3%*	*-15.8%*	*0.6%*	*7.0%*
Net Income (GAAP)	-1.3	-4.9	-2.9	0.2	2.8
% of revenue	*-52.2%*	*-49.9%*	*-15.8%*	*0.6%*	*7.0%*
Earnings Per Share (GAAP)	-0.25	-0.93	-0.54	0.03	0.53

Particulars	2021	2022	2023E	2024E	2025E
Net Income (GAAP)	-1.3	-4.9	-2.9	0.2	2.8
+ Depreciation & Amortization	0.1	0.6	0.6	0.6	0.6

+/- Working Capital, Deferred Taxes & Other Adjustments	0.2	1.6	4.9	4.6	4.5
Cash Flow from Operations	**-1.0**	**-2.7**	**2.7**	**5.4**	**7.9**
% of EBITDA	*120.2%*	*98.2%*	*-485.0%*	*217.7%*	*153.9%*
Capital Expenditure	-1.3	-0.1	-0.1	-0.1	-0.1
% of revenues	*51.4%*	*1.3%*	*0.7%*	*0.4%*	*0.3%*
Other Investment Cash Flow items	-3	-15	-3	-3	-4
Cash Flow after Investments	**-4.0**	**-14.7**	**-3.1**	**-3.4**	**-3.7**
Free Cash Flow	**-2.3**	**-2.8**	**-0.4**	**2.0**	**4.1**

Growth & Margins	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Sales Growth	NA	285.5%	84.1%	64.6%	33.9%
EBITDA Margin	-32.9%	-27.6%	-3.0%	8.3%	12.8%
EBIT Margin	-36.1%	-33.7%	-6.4%	6.3%	11.3%
Net Profit Margin	-52.2%	-49.9%	-15.8%	0.6%	7.0%

Leverage Ratios	**2021**	**2022**	**2023E**	**2024E**	**2025E**

Net Debt	4	22	22	20	16
Net Debt/ Equity	-4.8	-4.2			
Net Debt/ EBITDA	-5.0	-8.0	-40.1	8.0	3.1

- Now let us move on to Baptista Research's forecasts for Inspire Veterinary Partners's income statement and cash flows.
- We forecast a top-line growth of 84.1% for 2023, around 64.6% for 2024, and about 64.6% for 2025.
- This growth is expected to translate into an EBITDA of $-0.548415666327569 million in 2023 with a margin of -3.03%.
- Inspire Veterinary Partners's EBIT margin is expected to be -6.40% in 2023, about 6.29% in 2024, and 6.29% in 2025.
- Our estimate for the company's Net Income (GAAP) is $-2.85841566632757 million implying a net margin of -15.79% and resulting in an earnings per share of $-0.54.
- We expect the growth to follow a similar trend in 2024 and 2025.
- In terms of the cash flows, we expect Inspire Veterinary Partners to generate around $2.65973489460834 million in operating cash flows in 2023.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of -484.99%
- Inspire Veterinary Partners is expected to invest a higher amount in capex and other investing activities in 2023.
- Overall, the company is expected to generate free cash flows to the tune of $-0.444765105391659 million in 2023.
- Inspire Veterinary Partners's Net Debt is expected to increase in 2023 and is expected to follow a similar trend over the coming years.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- Inspire Veterinary Partners's Net Debt-to-EBITDA ratio is expected to be -40.14 in 2023 which indicates that the company is not leveraged.
- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- The company's Net Debt-to-Equity ratio for 2022 is -4.20 and it indicates that the company has no gearing.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions	
WACC	10.6%
CoD	9.4%
CoE	21.5%
Market Rate	6.0%
Risk Free Rate	3.5%
Beta	3
Perpetual Growth Rate (g)	10.2%
Terminal Value	1079
Tax Rate	0.6%

- For the purpose of carrying out the discounted cash flow valuation of Inspire Veterinary Partners Inc, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 3.45%.
- The company's stock is more volatile than the market as a whole and has a beta of 3.0 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 21.5% which appears reasonable for a company like Inspire Veterinary Partners.
- Based on the company's long term debt and interest payments, the cost of debt is 9.4%.
- After incorporating the CoE and the CoD and average tax rate of 0.6%, we arrive at a Weighted Average Cost of Capital (WACC) of 10.6%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 3.0 to our forecasted revenues of 2025.

EV and Market Cap	Current	2023E	2024E	2025E
Price ($)	2.7	7.3	12.4	19.8
Outstanding Number of shares (million)	5.27	5.27	5.27	5.27
Total Market Cap (billion)	0.01	0.04	0.07	0.10
Net Debt	22	22	20	16
Enterprise Value (billion)	0.04	0.06	0.09	0.12

- After applying the discount rate (WACC) of 10.6%, we arrive at a price target of $7.3 for 2023.
- Our target price at the end of 2024 is $12.4 and for 2025 is $19.8 which implies a total appreciation of nearly 629.5% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 23.49 and 34.44
- The EV/ EBIT will be in the range of -73.90 to 64.00 over the coming 3 years.

Valuation Ratios	**Current**	**2023E**	**2024E**	**2025E**
EV/ Sales	3.6	3.3	2.9	3.0
EV/ EBITDA	NA	NA	34.4	23.5
EV/ EBIT	NA	NA	-73.9	64.0
Price/Earnings	NA	NA	373.8	37.2

KEY RISKS

- It is important to highlight the key risks associated with an investment in Inspire Veterinary Partners Holdings as well as the inherent risks associated with the financial projections and price forecasts presented in this report.

- IVP contends with a diverse set of competitors, ranging from online pharmacies to specialized clinics and virtual healthcare services, all targeting the veterinary market.

- Market volatility and buyer preferences could hamper IVP's ability to sell its veterinary clinics at an advantageous price down the line.

- Managing a large workforce across various locations exposes IVP to potential issues like disputes, lawsuits, and compliance lapses.

- It is important to highlight that in economic downturns, discretionary spending on pets may decline, potentially reducing demand for IVP's services.

- Negative customer feedback or scandals connected to its practices could erode IVP's reputation, impacting customer loyalty.

- In order to accommodate growth and compete effectively, Inspire Veterinary Partners' management will need working capital to maintain adequate inventory levels, develop additional procedures and controls and increase, train, motivate and manage its work force.

- It is important to highlight that Inspire Veterinary Partners is serving the global market since less than a decade which means it has a very limited operating history. As a result, many potential investors find it difficult to evaluate its business prospects and management.

- Inspire Veterinary Partners's management may struggle to successfully implement and execute their business tactics, operating strategies and growth initiatives. If the management fails to accomplish their growth and organizational modification effectively, it may destroy their business and operational results.

- With respect to our price projection, we would like to clarify that the valuation of Inspire Veterinary Partners Holdings in this report is specific to the date of the analysis i.e.05-09-2023.

- Another one of the biggest risks to Inspire Veterinary Partners Holdings' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of Inspire Veterinary Partners Holdings in this report is specific to the date of the analysis i.e. 05th September 2023.

- We must emphasize that the projected valuation and the share price of Inspire Veterinary Partners Holdings are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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