EXECUTIVE INSIGHTS

Animal Pharma: Unlocking Value Through Growth and Investment

Key takeaways

1. Companion animal pharma is attracting increased investment as large players prioritise high-growth segments through innovation in biologics, AI-based diagnostics and targeted M&A.
2. Economic and regulatory pressures are reshaping livestock pharma, creating opportunities in reformulated products, sustainability-focused solutions and carve-outs from large incumbents.
3. Innovative biotechs are gaining traction with novel therapies and AI-enabled platforms, presenting attractive entry points for acquisition or partnership by strategic and financial investors.
4. Four clear company archetypes offer distinct value creation strategies — from scaling legacy generics platforms to building differentiated portfolios via bolt-ons or de-risked biotech integration.

External trends and technological advancements are driving transformation in the animal pharmaceuticals industry. From rising pet ownership to the phenomenon of pet humanisation, several factors are fuelling demand for innovative medicines that enhance longevity and quality of life.

In the livestock sector, regulatory shifts towards sustainable farming and the need to optimise margins in a challenging economic climate are accelerating the adoption of powerful new pharmaceutical technologies.

Meanwhile, advancements in AI and rapid breakthrough innovations in human health are providing a platform for profound change, enabling the animal pharma industry to meet evolving demands more effectively.

As the industry undergoes this transformation, established players are refining their strategies, smaller firms are seeking scale and new innovators are emerging. These shifts are reshaping the competitive landscape and creating distinct growth and investment opportunities across different segments of the market.

This *Executive Insights*, the second instalment in L.E.K. Consulting's series on animal health, explores four major company archetypes within animal pharma and clearly identifies tailored growth strategies that you can use to create value through consolidation, operational efficiencies and targeted innovation.

Animal pharma companies: Four major archetypes

The animal pharma market comprises several distinct types of companies, each with its own strategic priorities and competitive pressures. Understanding these archetypes is crucial for CEOs and investors looking to identify where opportunities exist and how different market segments are evolving. Below, we outline four key categories of companies that define the industry today (see Figure 1).

Figure 1

Animal health pharmaceutical company archetypes

Large animal health players	Market leaders with portfolio breadth and depth. These players are shifting focus towards companion animal innovation, divesting non-core livestock assets and expanding into biologics, digital health and AI-driven solutions.
Small to midsized players	Companies with portfolio breadth and distinct areas of deep expertise in specific sub-sectors, therapy areas or modalities. Typically focused on pursuing growth and expansion opportunities.
Innovative biotechs	Small, R&D-heavy firms developing novel platform technologies and disease prevention solutions, often seeking funding, partnership or exit for commercialisation.
Established innovators	Established players with stable cash flow, focusing on M&A-driven portfolio expansion, formulation and drug delivery improvements, and cost efficiencies to drive growth.

Source: L.E.K. research and analysis

Large animal health players: Market leaders with overall portfolio breadth and depth

The animal pharma industry is led by a dominant group of successful multinational companies — including Zoetis, MSD Animal Health, Boehringer Ingelheim and Elanco — that have driven sector growth and fuelled innovation, both organically and inorganically.

Although these large players continue to serve both companion and livestock segments, their strategic focus in recent years has increasingly leant towards advancing the companion animal market. Several important factors have generated this shift.

First, the companion animal market has demonstrated superior growth potential, triggered by increasing pet ownership, the rising tendency to treat pets as family members, the escalating penetration of pet insurance and a growing prevalence of chronic conditions in ageing animals. In response, leading animal pharma players have ramped up investment in innovative therapies, such as monoclonal antibodies, cell and gene therapies, and AI-based diagnostics tailored to treating and prolonging the lives of pets.

At the same time, the livestock pharmaceutical segment faces mounting economic and regulatory pressures, contributing to relative deprioritisation of certain areas. Concerns over sustainability and antimicrobial resistance have led to stricter regulations on antibiotics use, even as changing consumer preferences for plant-based and food-technology alternative proteins and reduced meat consumption in some regions have constrained market expansion.

Moreover, livestock producers operate in a price-sensitive environment, limiting their ability to absorb cost increases and reducing margins for pharma companies. As a result, while large actors continue to invest in livestock health, they are focusing more and more on complementing their strongest livestock portfolios and developing higher-value innovations, such as vaccines, precision livestock farming and sustainability-related solutions.

This strategic shift has also led to the divestment of some non-core livestock businesses, freeing up capital for investment in high-growth companion animal segments.

Zoetis's recent M&A activity can be viewed as a case study for this trend. In 2022, Zoetis acquired a Cambridge (UK)-based animal biotech, PetMedix, that develops antibody drug candidates, targeting areas of unmet clinical need in addressing both chronic and terminal diseases that affect dogs and cats. Then, in 2024, Zoetis agreed to divest its medicated feed additive portfolio to Phibro Animal Health for $350 million, allowing Zoetis to prioritise higher-value solutions, including vaccines, biologics and genetic programmes.

Small to midsized players: Portfolio breadth with distinct areas of expertise

Midsized animal pharma companies typically blend portfolio breadth with distinct areas of deep expertise in specific sub-sectors, therapy areas or modalities, whereas smaller players tend to concentrate on a certain geography, sub-sector, or set of therapy areas and modalities, and use this as a base for further expansion and growth.

Companies in this category usually operate with a leaner R&D budget and emphasise market expansion and cost efficiencies. Unlike larger animal pharma companies, they are less likely to divest assets, and instead actively seek scale advantages through acquisition and partnership.

For example, Ceva Santé Animale, one of the largest midsized players, has significantly grown its livestock biologics business through acquisitions while also expanding its companion animal business through the 2024 acquisition of pet biotech Scout Bio. Huvepharma's acquisition of AgriLabs in 2018 likewise strengthened its foothold in the US livestock pharma sector.

Innovative biotechs: Developing a pipeline and partnerships

The animal biotech sector, while smaller than its human counterpart, is sparking greater interest due to its potential for breakthrough therapies. These biotech companies are developing clinical pipelines with a variety of novel therapies, including cell and gene therapies, biologics, vaccines, and alternatives to traditional antimicrobials.

Companies such as LEAH Labs are working on CAR T-cell cancer therapies for companion animals, for example, while Anivive is leveraging AI to accelerate drug development in this space.

Though they sometimes lack the resources to scale and commercialise their innovations independently, this can make innovative biotechs attractive acquisition targets or partnership propositions for established industry incumbents and savvy strategic investors.

Take Kindred Biosciences, for example, which developed a deep pipeline of novel biological therapies for companion animals before being acquired by Elanco for $440 million in 2021. This acquisition — along with Ceva's purchase of Scout Bio, among others — highlights the appetite among large players for de-risked, late-stage biotechs that can complement their portfolios.

Animal biotech companies are also pursuing innovation in the livestock sector, such as publicly listed ECO Animal Health, which has produced next-generation antibiotics for pigs and poultry that meet current guidelines for responsible use of antimicrobials.

Established innovators: Building portfolios via M&A and incremental innovation

Legacy brand and generics companies and other established innovators often rely on product lifecycle management strategies, such as incremental innovation in formulations or delivery mechanisms. They often seek to expand geographically in order to sustain or build market presence, or acquire smaller generics companies or license successful legacy brands to augment their portfolios and improve operational efficiencies.

With products already established in the animal treatment paradigm, these companies can turn stable, cash-generating growth into opportunities for investment in either M&A or comparatively low-spend, incremental R&D.

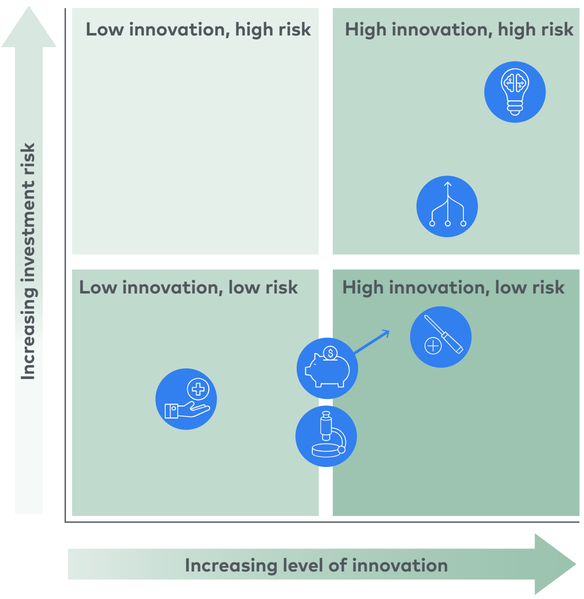
Norbrook, a Northern Irish manufacturer of differentiated veterinary pharmaceutical products, has steadily boosted its generics range, manufacturing capabilities and geographic reach alike through targeted acquisitions. And Chanelle Pharma, acquired in 2024 by UK private equity firm Exponent for an estimated €300 million, has assembled one of the largest animal generics portfolios in Europe, leveraging its R&D expertise to generate data for new registrations and its extensive manufacturing capabilities to scale production globally across a range of dosage forms.

Investment strategies for growth and value creation

Within the shifting landscape of animal pharma, CEOs and investors can pursue a range of strategies to build value in the sector. Each of the four archetypes described above presents different opportunities for acquisition, consolidation and growth. L.E.K. has explored several strategic investment plays that align with market trends and show potential for strong returns (see Figure 2).

Figure 2

Value creation strategies: Risk and innovation



Acquiring and building from established, cash-generating innovators and investing in the pipeline: A lower-risk approach to building cash over time with legacy brand and generics companies, to then invest in select specialty areas

Consolidating small/midsized players into a scaled leader: A moderately elevated element of risk derived from the complexity of merging business operations, balanced by the reward of established sales, achieving synergies and scale

Acquiring a livestock carve-out and growing through bolt-ons: A lower-risk approach to scaling an animal health player by building from a single platform and adding smaller, targeted bolt-ons, typically through licensing

Reformulation as a livestock value creation strategy: Optimising administration and reducing labour demands to drive adoption amongst livestock customers where operational efficiency and cost savings are key purchasing criteria

Supporting an innovative late-stage biotech to scale: A potentially high-reward approach to acquire first/best-in-class assets but with significant clinical and commercial risk attached

Strengthening the customer through veterinary services consolidation: A tried and tested play to achieve economies of scale, purchasing power and efficiencies through consolidation in untapped geographical pockets

Source: L.E.K. research and analysis

Acquiring and building from established, cash-generating innovators and investing in the pipeline

One effective strategy for CEOs and investors is to acquire a well-established innovator, such as a legacy and/or generics business, and use its cash generation to fund targeted R&D and innovation. This model, widely used in human specialty pharmaceuticals, encourages incremental value creation without the risk profile of early-stage biotech investments.

For example, a legacy manufacturer with a strong market presence could serve as a springboard for further expansion into specialty pharmaceuticals, since it has the ability to reinvest cash flows into high-margin niche therapies — such as dermatology treatments or pain management solutions — creating significant upside potential.

Private equity-backed Dechra, which chooses acquisitions to blend generics and innovation, embodies the coveted end goal of a specialty animal pharma model. The success of human pharma companies that revitalise legacy brands while expanding via targeted M&A also demonstrates how this approach could work effectively in animal pharma.

Scaling a livestock pharma business: Consolidation vs carve-outs

The livestock pharma market remains highly fragmented, presenting multiple pathways for CEOs and investors to add or build a scaled, independent organisation, by either consolidating small-to-midsized companies to form a larger, integrated business or acquiring a divested livestock business from a large animal pharma player and expanding it through astute acquisition choices.

Both approaches build scale in livestock pharma, with the choice determined by existing industry infrastructure, long-term strategic objectives and one's appetite for integration complexity.

1. Consolidating small or midsized players into a scaled leader

By maximising a long tail of small and midsized animal pharma businesses, CEOs and investors can execute a roll-up strategy to customise a scaled player. The integration of multiple businesses brings many advantages, from a broader portfolio and enhanced distribution networks to an optimised supply chain and more efficient operations. This approach can also strengthen pricing power and market positioning.

Huvepharma, for instance, has pursued expansion through strategic acquisitions such as its 2018 purchase of AgriLabs, which bolstered not only the company's portfolio but also its market presence. This model works best with companies that offer complementary product lines and geographical reach to generate synergies and drive long-term profitability.

2. Acquiring a livestock carve-out and growing through bolt-ons

Large animal pharma companies today are streamlining their portfolios, often divesting non-core livestock businesses to focus on high-growth companion animal segments. These carve-outs present opportunities for CEOs and investors to acquire an established platform boasting existing products, infrastructure and market access.

Rather than integrating multiple independent businesses, this strategy depends on scaling the acquired asset through targeted bolt-on acquisitions, licensing agreements or geographic expansion.

A recent example is Phibro's acquisition of Zoetis's medicated feed additive portfolio of six manufacturing sites with over 300 employees total. Such divestments will continue to emerge as the benefits of this approach — including building a cash-generating, standalone business without the complexities of a full-scale consolidation — become obvious.

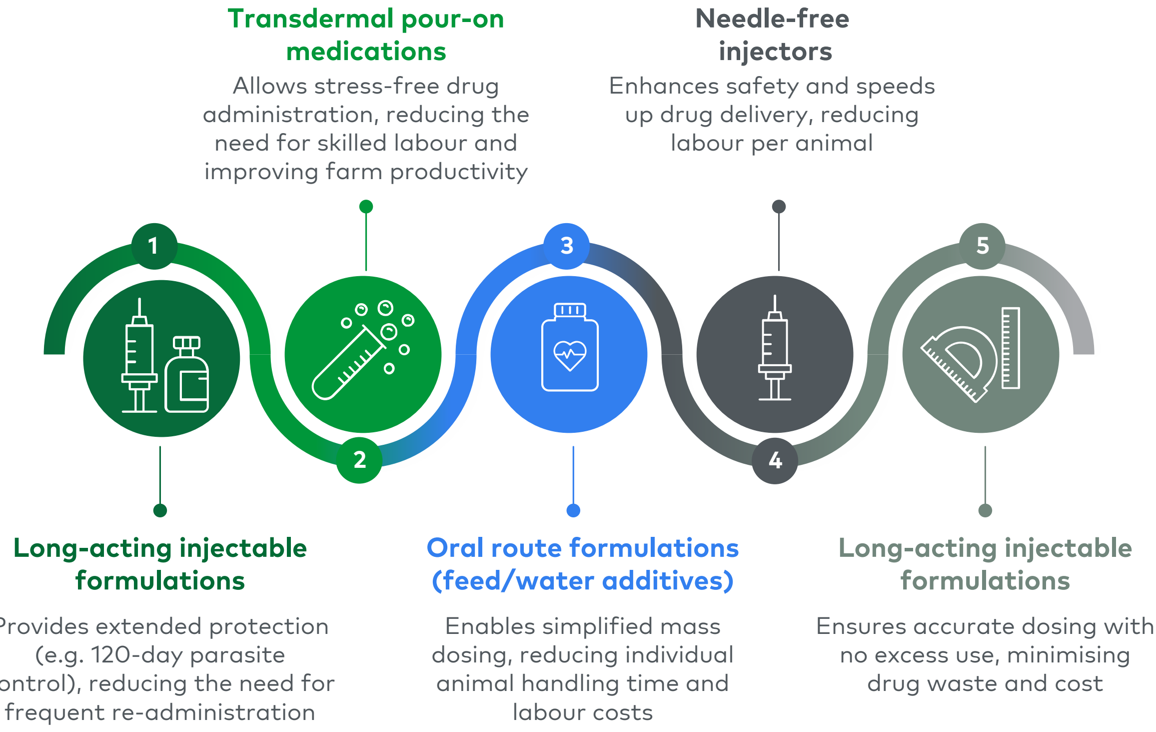
Reformulation as a livestock value creation strategy

For CEOs and investors capitalising on opportunities in the established legacy livestock space, product reformulation is an essential strategy for driving value. By inspiring animal pharma players to optimise administration, reduce labour demands and enhance market differentiation, reformulated products can significantly improve customer adoption and competitive positioning. This approach is particularly effective in the livestock segment, where efficient operations and cost savings are critical drivers of purchasing decisions.

L.E.K. has highlighted several reformulation strategies that enhance the customer value proposition and increase the value of a livestock portfolio (see Figure 3).

Figure 3

Livestock reformulation plays



Source: L.E.K. research and analysis

Supporting an innovative late-stage biotech to scale and exit

Investing in late-stage biotechs with validated technology opens a partially de-risked entry point into animal health innovation. Although the high risk of early-stage biotech investment typically puts it in the realm of venture capital, companies with a late-stage pipeline or recently approved products could present a strong acquisition play.

CEOs can allocate budget to grow biotech platforms and can support successful commercialisation by providing clinical development expertise, manufacturing and an up-and-running sales network. Investors can provide growth capital, as well as their expert networks, to scale these products and businesses, positioning them for eventual trade sales to larger industry players.

Examples include Dechra's acquisition of Invetx and Elanco's acquisition of Kindred Biosciences, both of which demonstrate the willingness of incumbents to pay premiums for biotechs with innovative, de-risked pipelines. Actors adopting this strategy should focus on therapeutic areas with high levels of unmet need, such as platform technologies that address chronic conditions in pets. Biotechs with therapies in development that have already been clinically validated for similar conditions in humans add an extra layer of protection.

Strengthening the customer through veterinary services consolidation

In addition to investments in animal pharma organisations of various types, alternative plays exist across the animal health value chain, including pet insurers, online retailers and veterinary chains, among others (see Figure 4). Consolidation of veterinary practices is an ongoing, tried and tested trend, prompted by increasing professionalisation within the industry and rising in-catchment competition across all dimensions.

Private equity group EQT has already capitalised on this trend through the acquisitions of IVC and Evidensia in 2017 to create IVC Evidensia, a leading veterinary services provider in Europe and North America. By 2021, EQT had already sold a minority stake, and the group is exploring a lucrative IPO for as early as 2026.

Despite highly consolidated veterinary practices in markets such as the UK and Sweden, significant opportunities remain for further consolidation in large, high-growth markets in the rest of Europe, including Germany, France, Spain and Italy.

Figure 4

Key value creation strategies by company archetype and investor

	Building legacy, investing	Livestock consolidation into scaled leader	Livestock carve-out with bolt-ons	Livestock reformulation play	Supporting innovative clinical-stage biotech	Veterinary consolidation
Large animal health players	–		–	–		–
Small to midsized players						–
Innovative biotechs	–	–	–	–	–	–
Established innovators					–	–
Private equity/ large institutional investors					–	
Venture capital	–	–	–	–		–

Innovative biotechs could receive funding, make partnerships with or be acquired by a variety of entities

Source: L.E.K. research and analysis

Why CEOs and investors should act now

The animal pharma industry is at an inflection point as shifting market dynamics create compelling opportunities for CEOs and investors alike. Large players are divesting non-core assets, the livestock sector is ripe for consolidation, legacy brands and generics offer stable cash flows, and once-innovative biotech companies are reaching advanced clinical stages.

By acting now, CEOs and investors can choose from a variety of well-defined strategies to create value and establish an advantageous position in an underpenetrated market.

How L.E.K. can help

We help clients navigate the opportunities emerging in the animal pharma landscape. We partner with CEOs and investors to identify growth avenues, from acquiring stable legacy portfolios to partnering with late-stage biotechs, as well as pursuing organic expansion. Our deep sector expertise and rigorous analytical approach allow clients to act decisively and build high-value positions in a rapidly developing market.

If you'd like to discuss growth opportunities further, reach out to the team.

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