



EXECUTIVE INSIGHTS

The Future of Animal Health: Strategic Lessons from Human Healthcare

Key takeaways

1. Animal health is at a turning point, as rising pet ownership, the humanisation of companion animals and sustainability pressures in livestock drive industry growth and reshape market dynamics.
2. Advances in vaccines, diagnostics and AI-driven tools will enable more effective disease prevention, earlier diagnosis and improved treatment options across both companion and livestock segments.
3. Companies are leveraging M&A, divestments and R&D investment to strengthen portfolios, drive innovation and maintain a competitive edge.
4. Stricter oversight of antibiotics and sustainability is reshaping product development, while AI, telemedicine and digital health solutions are enhancing efficiency and expanding access to care.

The human health industry has undergone a wave of transformation over the past decade, powered by AI-driven drug discovery, digital therapeutics and precision medicine. These innovations are not only revolutionising patient care but also reshaping market dynamics, compelling companies to rethink their strategies.

Now, a similar shift is beginning in animal health, spurred by pet ownership, sustainability demands and technological advances. The question is no longer whether animal health will follow human healthcare's trajectory, but how quickly, and who will lead this transformation.

This *Executive Insights* explores the key drivers reshaping animal health, their implications for the industry's future and valuable insights drawn from innovations in human health.

Key drivers of change in animal health

The animal health industry is at a turning point, driven by evolving market dynamics, shifting consumer attitudes and growing demands for innovation across both companion and livestock segments. We unpack the key drivers reshaping the industry and highlight the opportunities they present.

The animal health market is expanding, with significant variations across key categories: (i) companion animals; and within livestock: (ii) swine; (iii) poultry; and (iv) ruminants.

- **Companion animals:** Increasing and ageing pet population, pet humanisation, rising disposable incomes, increasing penetration of pet insurance, and advanced therapeutics have propelled growth.
- **Swine:** Growth is moderate but steady, driven by rising pork consumption in emerging markets and increasing focus on disease prevention.
- **Poultry:** Expansion in bio-poultry (sustainable farming practices) is a notable trend, aligning with demand for healthier and environmentally friendly products.
- **Ruminants:** The market remains stable but comparatively slow-growing due to cost sensitivity and fewer innovations targeting this segment.

Companion animals are driving most of this expansion, fuelled by increased pet ownership and higher spending per pet.

L.E.K. forecasts sustained momentum in the companion animal segment, with a projected 6-8% annual growth rate, outpacing livestock categories and pushing it to account for over half of the total animal health market.

Demographic and market shifts

Companion

Demographic changes are redefining the animal health landscape. Millennial and Gen Z pet owners account for a growing portion of the companion animal market, with these groups representing over 50% of pet owners in the U.S. and Western Europe. These younger consumers are increasingly viewing pets as family members and are therefore willing to spend more on advanced healthcare and wellness products.

Additionally, an ageing pet population is increasing spending and driving demand for advanced healthcare, such as diagnostics, vaccines and biologics. New therapies are addressing a range of disease areas, including neurological and behavioural conditions like separation anxiety. Chronic diseases, such as diabetes, are becoming more prevalent due to the ageing pet population. There is also increasing interest in wellness products, including dietary supplements.

Livestock

In the livestock sector, sustainability and animal welfare are becoming increasingly influential. This is, in part, driven by governments and non-governmental organisations increasing regulatory policies, investment and incentives for healthier and more sustainable livestock practices. This has accelerated investments in antibiotic alternatives and eco-friendly vaccines, among others. Additionally, global population growth and the ever-present needs for efficacious, low-cost products and reliable supply chains continue to influence the market.

Unmet needs across segments

The evolving field of animal health has several critical gaps that offer opportunities for innovation and investment. Addressing these will be key to driving long-term growth and improving animal care in both companion and livestock sectors (see Figure 1).



Figure 1

Key unmet needs and example industry solutions in animal health

Key unmet needs	Example industry solutions
 More effective and prevention-focused care	<ul style="list-style-type: none"> • MSD Animal Health's NOBIVAC® NXT Canine Flu H3N2: The first RNA-particle technology vaccine approved for canine influenza, offering advanced protection against the H3N2 strain • Benchmark Genetics: AI-driven breeding programmes enhancing disease resistance in aquaculture
 Specialised disease area treatment	<ul style="list-style-type: none"> • Vetigenics' mAb therapy: Developing monoclonal antibodies for cancer and other chronic pet diseases • Zoetis' Librela: Approved in 2023, Librela is a monoclonal antibody treatment targeting osteoarthritis pain in dogs, offering a novel approach to managing chronic pain
 Early and improved disease diagnosis	<ul style="list-style-type: none"> • Antech's RenalTech: AI-powered diagnostic tool predicting chronic kidney disease in cats before symptoms appear • VolitionRx's Nu.Q® Vet Cancer Screening Test: This blood test aids in the early detection of cancer in dogs, facilitating timely intervention
 Adaptations for emerging markets	<ul style="list-style-type: none"> • Boehringer Ingelheim, FMD vaccines: Multiple region-specific vaccines that circulate in parts of the Middle East, Asia, Africa and South America • Ceva Santé Animale, Vector vaccines: Specific protocols and strains for Newcastle disease and Avian Infectious Bronchitis in poultry across developing markets
 Improved convenience and cost control	<ul style="list-style-type: none"> • MSD Animal Health's FALCON® Biomass: Continuous biomass estimation for fish farms, thereby improving feeding efficiency and cost control • Boehringer Ingelheim's Long-Acting Swine Antibiotics: Extended-duration formulations reduce dosing frequency, lowering labour costs and improving compliance

Source: L.E.K. research and analysis

1. More effective and prevention-focused care

Preventive solutions are becoming a priority as reliance on traditional treatments, such as antibiotics, declines. Advances in vaccines, biologics and immunotherapies are enabling earlier disease intervention and reducing the need for reactive treatments. Improving the efficacy and duration of disease prevention tools will be essential, particularly in livestock farming, where disease outbreaks can have devastating financial and operational consequences. Investment in novel technologies, such as mRNA vaccines and AI-assisted vaccine development, is accelerating progress in this area.

2. Specialised disease area treatment

There is a growing need for specialised treatments in areas that have historically been underserved, such as cardiology, nephrology and behavioural health. Companion animals, in particular, are living longer, driving demand for chronic disease management solutions similar to those seen in human healthcare. Meanwhile, emerging advanced therapies, including monoclonal antibodies and gene editing technologies, are being explored as potential breakthroughs in complex disease treatment. As these therapies advance, their accessibility and affordability will be key to their widespread adoption in veterinary medicine.

3. Early and improved disease diagnosis

Improved diagnostics are essential for enabling earlier disease detection and more precise treatment strategies. AI-powered imaging, rapid point-of-care testing and genetic profiling are transforming diagnostics, allowing veterinarians to tailor treatments to individual animals. This shift towards more targeted therapies aligns with trends in human healthcare and presents new opportunities for companies in this space. Enhanced access to affordable and efficient diagnostics will be particularly impactful in livestock, where disease surveillance is critical to herd health management and productivity.

4. Adaptations for emerging markets

Emerging markets face unique challenges, including limited access to advanced animal health solutions and region-specific disease burdens. To address these needs, companies are increasingly investing in localised vaccine production, temperature-stable formulations and cost-effective treatment options tailored to regional demands. By expanding manufacturing capabilities and developing solutions adapted to specific geographies, the industry can improve animal health outcomes in high-growth markets, particularly in Latin America and Asia.

5. Improved convenience and cost control







Economic pressures on livestock producers are driving demand for solutions that reduce costs and streamline operations. Broad-spectrum treatment portfolios, combination therapies, fixed-dose vaccines and species-optimised routes of administration are helping to simplify disease management while minimising administration costs. Additionally, innovations in supply chain optimisation and digital health tools are enhancing efficiency in animal health product procurement and usage. As cost pressures persist, solutions that offer both convenience and financial sustainability will play a crucial role in shaping the future of the industry.

Implications for the future of animal health

The animal health industry's evolution is shaped by strategic shifts, technological advancements and regulatory pressures. Several key levers will define future opportunities, drawing parallels to transformations already seen in human health (see Figure 2). Companies that proactively utilise these will be best positioned for long-term success.

Figure 2

Investment and innovation levers shaping the future of animal health

Lever	Implication	Example
 Divestment	Companies are shedding non-core assets to refocus on high-growth segments like companion animals	Elanco divested its aqua business in 2024 to focus on primary companion and livestock segments
 LCM strategies	Expanding indications, formulations, and geographies extends product value and drives sustained growth	Zoetis' Simparica Trio has had multiple label expansions since launch, broadening market reach
 Organic R&D investment	Rising R&D in vaccines and biologics is shifting focus towards prevention and innovation	Boehringer Ingelheim unveiled a new U.S. R&D laboratory in 2024, dedicated to developing innovative animal health products
 Inorganic growth through M&A	Biotech acquisitions accelerate pipeline expansion, securing access to novel therapies and diagnostics	Zoetis acquired Basepaws in 2022 to expand into pet genetic testing
 Adapting to increasing regulations	Stricter policies on antibiotics and sustainability create both compliance hurdles and innovation opportunities	The EU's 2022 antibiotic restrictions are fuelling demand for next-gen antimicrobial alternatives
 Digital & AI tools	AI-driven diagnostics, telemedicine and precision livestock farming are transforming efficiency and disease management	IDEXX has launched a range of AI-powered imaging software for rapid diagnostics

Source: L.E.K. research and analysis

1. Strategic divestments

As companies refine their strategic priorities, divestments have become an important tool for optimising portfolios and refocusing on high-growth areas. For example, Zoetis sold its medicated feed additive portfolio to Phibro Animal Health for \$350 million, allowing it to focus on core areas. These moves mirror trends in human pharmaceuticals, where divestments are often used to reallocate resources to high-innovation segments.

In the future, we may see further rationalisation in animal health, particularly in lower-growth sectors such as ruminants or commoditised livestock pharmaceuticals, as companies double down on innovation-driven or companion animal segments. This also creates opportunities for industry players and investors to acquire assets, enabling market consolidation, cross-species or species-specific portfolio expansion, geographic growth and cost optimisation through streamlined sales channels, supply chains and operations.

2. Lifecycle management

Maximising the lifecycle of existing products has long been a critical strategy in pharmaceuticals, and this approach is becoming increasingly relevant in animal health. Companies are extending product value through geographic expansions, new formulations and multi-species approvals. For instance, Elanco's expansion of the Credelio parasiticide franchise to encompass a wider range of indications, and species-specific variations, has allowed the company to broaden its market and propel growth.

As competition increases, lifecycle management will be essential for animal health companies to extract greater long-term value from their R&D investments. Future strategies may include multi-species bundling, fixed-dose combinations, and reformulations that improve compliance and ease of administration.

3. Organic R&D investment

The animal health industry has historically lagged human pharmaceuticals in R&D intensity, with leading players investing 8-12% of revenue compared to 20-25%. However, a shift is underway, with increasing investment in novel modalities such as mRNA vaccines and monoclonal antibodies. Boehringer Ingelheim's recent opening of a state-of-the-art late-stage R&D lab in the U.S. underscores the industry's growing focus on cutting-edge innovation.

As demand for advanced therapies rises, we expect to see further increases in R&D spending, particularly in diagnostics, disease prevention and targeted biologics.

4. M&A and partnerships

With valuations in human biopharma cooling after years of high multiples, investors are increasingly looking at animal health as a high-margin, high-growth alternative. The sector's fragmentation makes it ripe for consolidation, particularly in diagnostics, specialty biologics and precision livestock farming technologies.

Large players are looking to biotech firms for novel platforms and disruptive technologies, much like in human health. Zoetis' acquisition of antibody biotech adivo in 2023, and Boehringer Ingelheim's acquisition of chronic disease vaccine biotech Saiba Animal Health in 2024, illustrate how established companies are leveraging M&A to access innovation and expand their portfolios. Additionally, growing interest in precision livestock farming and digital therapeutics is fuelling further deal activity.

Looking ahead, we anticipate continued consolidation, particularly in biotech, diagnostics and digital health, as companies seek to accelerate R&D pipelines and differentiate their portfolios. There is also potential for institutional investors to execute a 'buy and build' strategy by exploiting consolidation opportunities in the long tail of animal health companies, outside of the market leaders.

5. Regulatory landscape

Governments and regulatory agencies are tightening oversight of veterinary medicines, with a particular focus on antibiotic use and sustainability. The EU's 2022 regulations restricting prophylactic antibiotic use in livestock and the U.S. FDA's increased scrutiny of antimicrobial stewardship are reshaping the competitive landscape.

While stricter regulations can pose hurdles for market access, they also create opportunities for companies investing in alternatives, such as vaccines, probiotics and precision therapeutics. In emerging markets, regulatory frameworks are evolving rapidly, with governments in Asia and Latin America incentivising local production and innovation.

Companies that stay ahead of these regulatory shifts and invest in compliant, next-generation solutions will gain a competitive edge or provide attractive exit opportunities to larger players.

6. Digital and AI-driven solutions

The integration of digital technologies and AI is reshaping diagnostics, treatment and veterinary workflows. AI-powered diagnostic tools, telemedicine platforms and precision herd management systems are gaining traction, improving efficiency and access to care. Zoetis' Vetscan Imagyst diagnostic tool is an example of how AI is being leveraged to support veterinarians in delivering expert-level results in minutes.

Meanwhile, wearable health monitoring devices for livestock and companion animals are enabling real-time health tracking and predictive analytics. As veterinary practices consolidate and operational efficiency becomes a priority, digital solutions will continue to expand, providing new avenues for data-driven decision-making and improved animal health outcomes.

Conclusion

The animal health industry stands on the cusp of transformative change, and companies must act decisively to stay ahead. L.E.K.'s strategic analysis underscores that those who fail to adapt risk obsolescence, while those that embrace AI, biologics and sustainability-driven innovations will emerge as industry leaders.

Drawing lessons from the evolution of human healthcare, animal health companies have the opportunity to drive meaningful change across the entire ecosystem — addressing unmet needs, improving efficiency and unlocking new revenue streams. These strategies not only create long-term competitive advantage for companies but also open new avenues for investors looking to capitalise on the sector's momentum.

Indeed, the sector's unique blend of stability (recurring veterinary care) and disruption (biotech-driven breakthroughs) presents rare opportunities for both short-term gains and long-term value creation.

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

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