



SELLING YOUR PRACTICE

written by Dr Tony Thelander - Director ValuVet

Selling your practice (whole or in part) may be the most important business undertaking in your life so you need to get it right. Before you start out on this journey, there are a few rules I would follow:

Always involve your family and your partners. Too many sales become tied down and become complicated because the relevant stakeholders were not involved or fully informed from the start.

Always involve your own accountant or financial adviser. Your own financial advisers are in the best position to structure your affairs in order to maximise the return on the sale of your practice.

Keep your staff informed – they will accept change and will assist you in maintaining & improving your practice through the sale provided you assure them of their positions.

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- Selling your Practice
- Starting a Partnership?
- When should you think about retirement?
- Can't see the wood for the trees?
- Approaches to valuations – How and Why?

Engage a valuer who has 'runs on the board' and who understands the industry (request references). You need to discuss the valuation methodology with your valuer so you understand the process and the likely outcome. Remember, the better informed you are the more likely you are to achieve a fair return on your investment when you sell your practice.

Start the process at least one year prior to sale as the valuer may be able to suggest ways to improve the value of your practice before the sale is completed. Remember that it is better to fix problems and maximise your profitability before selling your practice. Failure to do so will transfer the opportunities on to the buyer, leaving you with a reduced return on your investment. ■



EDITOR'S COMMENTS

*Dr Tony Thelander
Director ValuVet*

Director's Message

The veterinary scene

We get daily bad news on the economic front but still practice seems to be holding up across the country with some practices posting better figures than this time last year. Perhaps some of Mr Rudd's stimulus package is being spent at the vet? Regardless of present economic circumstances, we need to keep an eye on future unemployment levels (some centres will be hit harder than others) and as a profession, we need to continue to offer exceptional service and 'value for money' to our clients in order to ride out the storm.

Practice visits

ValuVet consultants have been kept busy for the last 3 months with visits to practices in WA (mixed & SA), Victoria (SA & equine), NSW (mixed, specialist & SA) and Queensland (mixed & SA). One of the benefits of visiting practices is that we get to see the practices in action and to appreciate the inherent differences (and similarities) between the different types of practice. This makes for interesting work but strongly amplifies the fact that you need to visit a business to really understand what is happening on the ground.

Conferences 2009

Tony will be attending the AVA conference in Darwin (May); the ASAVA in Christchurch (August) and the BVP conference in Ballina (November).

Hugh will be attending the AVA conference in Darwin as well as all CVE conferences in Sydney.

Apart from the personal need to keep up to date, we welcome the opportunity to meet our colleagues face to face and are always available for an informal chat over a beer or coffee. See you there!

ValuVet Website

It's here at last! After a large investment in resources and time, our new website has finally been launched (no we didn't do it ourselves). In the spirit of getting what you pay for, we have enlisted the help of a very talented IT and marketing firm to produce what I think is a first rate web site. We would welcome your feedback and suggestions if you would like to check it www.valuvet.com.au or just Google 'valuvet'. It is our aim to make our website the premier portal available to our profession for the purpose of buying and selling practices, partnerships and equipment as well as making contact with ValuVet.

STARTING A PARTNERSHIP?

written by Dr Tony Thelander - Director ValuVet

If you are considering entering a work arrangement or a partnership with a colleague consider the following:

When discussing the 'buy out' conditions it is better to avoid inserting rigid formulas for calculating Goodwill into the clause for a couple of reasons:

- What may seem fair and equitable today may not be appropriate 5 or 10 years down the track when the fortunes of the partners and the practice have changed.
- There are as many formulas as there are valuers and methodologies can change through time – tying yourself to one formula may limit your scope in years to come.

I prefer to see a clause with more general wording regarding the valuation methodology of the business – words to the effect 'That the practice will be valued by an independent valuer agreeable to both (all) parties'. In the event of a disagreement, each partner shall be free to solicit an independent valuation with the intention of negotiating the difference in the valuations.

Don't forget...

that the AVA has an excellent Partnership template which has been drawn up by a solicitor and is industry specific.

Phone the AVA Info Line on **1300 788 977**

Don't forget....

to review your partnership document every 3-5 years with a solicitor to see if it needs updating. Many problems occur when partnership documents are put in the bottom drawer and not pulled out until years later when one partner wishes to leave.

Don't forget...

that before entering a formal partnership arrangement, it is essential for the parties to meet extensively beforehand to discuss mutuality on all aspects of both practice and personal aspirations. To this end, ValuVet has a complimentary list of topics which may serve as a check list to assist aspiring partners in their preliminary negotiations.

■



FEATURE PRACTICE



Proud owners Stephen & Allan

Pacific Vetcare

Pacific Vetcare hospital at Coffs Harbour is a state of art Companion animal & Equine facility. Drs Johnson, Hudson & Deist should be justifiably proud of this magnificent facility which was project managed by Elite Project Group. The bar of excellence has just been raised – Congratulations, Gentlemen!



Carpark & entrance



Waiting & reception



Theatre & internal atrium



Treatment & prep area



Surgical prep area



Imaging area



Theatre



Internal dog runs



Equine exam room



Equine recovery & procedures room

VETS' PRACTICE MARKET PLACE

BUYERS

These buyers have all signed confidentiality agreements and are genuine buyers in their preferred areas and may be reached by contacting Valuvet on 07 3831 5555

EASTERN SEABOARD

Buyer 432: **Capital cities/ major regional centres** 2-3 vet SA
Buyer 434: Mixed practice within 4 hours of airport or major centre

VICTORIA

Buyer 049: **Victoria** 1-3 vet SA
Buyer 176: **Melb SE Suburbs** 2-3 vet SA
Buyer 220: **Melb metro area** 2+ vet SA
Buyer 424: **Melb and surrounds** 1-2 vet SA/Mixed
Buyer 427: **Melb metro area** 1-2 vet SA
Buyer 429: **Melb metro area** 2-3 vet SA
Buyer 437: **NE VIC/Rural VIC** 1-2 vet Mixed
Buyer 439: **Melb metro area** 1-3 vet SA

NEW SOUTH WALES

Buyer 267: **Hunter Region** SA/Mixed
Buyer 287: **Syd /Gold Coast** SA
Buyer 309: **Syd metro area** 2-3 vet SA
Buyer 394: **Central Coast** 2-3 vet SA
Buyer 418: **South Coast** 1-2 vet SA/Mixed
Buyer 430: **Hunter/Syd/Gold Coast** 3+ vet SA
Buyer 431: **Syd metro area** 2 vet SA
Buyer 436: **Syd metro area** 2-3 vet SA
Buyer 438: **Central Coast/Hunter** 2-3 vet SA
Buyer 440: **Central Coast** 2-3 vet SA

QUEENSLAND

Buyer 370: **SE QLD/Gold Coast** 1-2 vet SA
Buyer 409: **Sth Brisbane/Gold Coast** 2+ vet SA
Buyer 425: **Gold Coast** 1-2 vet SA
Buyer 426: **Brisbane metro area** 2-3 vet SA
Buyer 428: **SE QLD/Northern Rivers NSW** 2-3 vet SA
Buyer 433: **Gold Coast** 2-3 vet SA
Buyer 435: **Brisbane metro area** 2-3 vet SA

SELLERS

These practices are for sale and information is available from Valuvet by calling 07 3831 5555

- ✚ Valuvet valuation available
- ✓ Valuvet report available
- ★ Excellent facilities
- ▲ Purpose built facility
- ✱ Website Listing

VICTORIA

Seller 163: **Goldfields** – 2-3 vet SA practice ✚✓✱
Seller 167: **SE Melbourne** – 1.5 vet SA practice ✚✓

NEW SOUTH WALES

Seller 57: **SW Sydney** 4 vet SA practice
Seller 166: **Riverina** 3 vet mixed practice ✚✓✱
Seller 177: **Northern Beaches Syd** – SA
Seller 179: **Western Syd** – 1 vet SA ▲
Seller 184: **Southern Syd / Southerland Shire** – 1 vet SA

QUEENSLAND

Seller 122: **SE QLD** – 2 vet Mixed practice
Seller 171: **Central QLD** – 2 vet Mixed practice ▲✱
Seller 175: **Sunshine Coast** 1 vet SA practice ✱
Seller 181: **Nth QLD** 1-2 vet 85% SA / 15% Equine
Seller 183: **Sunshine Coast Hinterland** 1 vet 85% SA / 15% LA ✚

WESTERN AUSTRALIA

Seller 172: **Margaret River** – 3 vet Mixed practice hospital plus branch ▲✱
Seller 182: **Murray Shire** – 4-5 vet Mixed 1/3 SA, 1/3 Equine, 1/3 Cattle ✚✱



WHEN SHOULD YOU THINK ABOUT RETIREMENT?



Dr Jim Martin BVSc

Over the past 13 years I have been involved with many vets as they sought retirement. I valued their practices and advised how best to achieve their desires. For some, retirement was entirely voluntary and they were well prepared. Others wanted to retire but were forced to wait for financial reasons, even though they were more than willing to depart the practice; for them, it could not come soon enough. Too often though, I observed practice owners who were reluctantly forced to accept retirement when they least wanted it - often because of health issues.

It is heart rending to observe a one time competent young vet forced into a fire sale because of Motor Neurone

Disease, Premature Dementia, Heart Attack or other sudden illness. Rarely have they prepared financially or emotionally for the events that follow. Often the practice deteriorated quickly because they delayed too long. In all these cases a practice valuation is essential in order to maximise the benefits from the sale of the practice. Let us assume you are not in one of these categories;

what are the indicators that you should be preparing for retirement?

Change: Life is full of challenges and the life of a veterinarian is no exception. Today it involves so much change we have to adapt continually. If you are finding it difficult to accept change it may be time to move on.

Losing interest: If you are losing interest, not enjoying your work and have lost enthusiasm and drive.

Coping: If you are unable to cope with the hours at work.

Age may be important. We get older and once over the hill you pick

up speed. Time goes faster and you can do less. Ronnie Corbet once said "every time I bend down to tie my shoe laces I think - what else can I do while I am down here?"

The average age of retirement in Australia for those over 45 years and retiring in the last 5 years was 61.5 yrs for men and 58.3 yrs for women. I suspect that many vets retire later for a number of reasons. I retired at age 70. Age doesn't have to be a barrier for a happy practice principal – I have seen several who continued to work well into their 80's – often the practice deteriorated but they were happy at last. For them, happiness is a voyage, not a destination.

Achievement: You have achieved all your work goals as a Veterinary Surgeon. Now you may want to move on to other things. You want to relax more and enjoy the time left with family and friends.

Health: If you or your spouse has health issues, this may be an indicator you should consider retirement. Australia is second in the world in the life expectancy stakes - life expectancy for men is 79 years and women, 84 years.

Stress: Are you having stress with staff or clients? This could be a sign that it is time.

Suggestions: Are others asking or suggesting you should retire? Well take the hint!

I am sure there are other indicators for retirement perhaps you could make some more suggestions?

We all hope for a long and happy retirement. What can we do to make this more probable? That is my topic in the next newsletter! ■

Think about it!



Dr Hugh White MVSc MACVSc

CAN'T SEE THE WOOD FOR THE TREES?

How many times have you been told

"work on the business, not in it"
or, "step back from the coalface",

or some similar saying, which indicates that you are at risk of becoming so engrossed in the day to day running of your business that you cannot see things from an outside, objective view?

At ValuVet, we are asked to visit practices so that we can give the benefit of our objectivity and experience, not only through having run our own practices but because we are arriving fresh on the scene and can see things through a different set of eyes.

The same way that a veterinarian builds up clinical acumen through seeing many cases, we can see things affecting your practice because we have seen so many other practices of widely differing standards.

Whether it is inadequate signage, poor presentation, tired premises, old equipment, deficient management or a combination of many factors, we are able to highlight many of these areas, which when fixed can make a huge difference to the profitability and saleability of a practice.

It is a delight to attend a practice that is well presented, well equipped, well organised and highly profitable, but sadly these tend to be outnumbered by the other types of practice.

Unlike our competitors, we do not believe we can give you a realistic valuation by simply crunching some numbers and benchmarking your practice against other practices.

We do look at key indicators when evaluating a practice, but we also look at many other intrinsic factors which affect the value of goodwill and we can advise you as veterinarians what steps you may be able to take to improve your sale prospects. After all, each of us has



sold his own practice and the ValuVet team has valued over 500 practices Australia-wide over the last decade.

We know which practices have sold and what you can realistically expect to achieve for goodwill and equipment. Every valuation involves two or three experienced vets plus David Sharp, the accountant for ValuVet, who provides the same consistent high quality advice every time.

We have the runs on the board. When you want someone who speaks the same language and understands our profession and the issues confronting it, talk to one of us, or visit our website

www.valuvet.com.au



Practice Assessment

- ***Is your practice stagnating?***
- ***Has your income reduced?***
- ***Have you run out of ideas?***
- ***Are you thinking of selling at some stage?***

Have you considered having your practice assessed by ValuVet?

A visit by a ValuVet consultant and a Practice Assessment Report may be a great investment in these hard times. Why not visit our website www.valuvet.com.au for more information or contact us directly and we will explain how we can help your practice? References are available.

APPROACHES TO VALUATIONS – HOW AND WHY?



*David Sharp B Econ, ACA
Director DFK Richard Hill*

The most appropriate method in my opinion for valuing veterinary practices is the 'excess earnings' method.

In simple terms, the plant and equipment of the practice is given a market value, and then a reasonable return on that plant & equipment is calculated.

This return is subtracted from the actual earnings of the practice adjusted for any unusual or non-practice items. The remaining amount known as "excess earnings" or "super profit" is then divided by a capitalisation rate to calculate the value of the practice's goodwill.

The practice value is then the sum of the market value of the plant and equipment plus the

value of goodwill plus the value of any other items included as part of the transaction.

These other items can include debtors, creditors, bank debt, leases and HP arrangements and of course stock on hand. Property is usually dealt with completely separately.

The advantage of using this method to value veterinary practice is that it recognises that each practice includes and derives value from two distinct and different assets; the plant and equipment of the practice and the goodwill of the practice.

These assets are different in nature and accordingly it is appropriate that their valuation be addressed separately. Furthermore it concentrates on the actual cash or profit flowing out of a practice as that is what is really being bought and sold.

Some veterinary practice valuers are unable to value veterinary equipment either because they have no veterinary background and therefore be unable to accurately



identify equipment or do not visit the practice's premise. To compensate, these valuers adopt a slightly different methodology: They calculate the excess profit but make no adjustment for the return on equipment. Effectively they assume the return from goodwill and equipment will be the same. The unadjusted excess profit is then capitalised to obtain a combined value for goodwill and equipment. Accordingly, the capitalisation rates they use differ to the ranges used by ValuVet.

In my view, ValuVet's approach provides a more accurate total practice valuation by separately accounting for the value of the goodwill and the equipment.

Revaluing equipment may initially appear to have some taxation ramifications for the vendor, however, the Small Business Capital Gains Tax Exemption provisions generally resolve this issue. ■

OUR NEW WEBSITE IS FINALLY UP - IT'S A KNOCKOUT!

Professionally built by our marketing firm, Huxbury Quinn, our new site shows just how useful and navigable a site can be. Designed with the sole purpose of serving our profession, our new site has the following features:

- ValuVet service information
- Meet the ValuVet consulting team
- Newsletters and articles on practice management, productivity and valuations
- Featured practices for sale
- Vets' Practice Marketplace a forum for engagement with the veterinary industry with respect to partnerships, buying and selling practices, equipment and other opportunities.
- Lists of practice buyers and their preferences
- Links to Gold Standard industry suppliers

All this in a user friendly but confidential format with convenient links on every page.
JUMP ON AND TELL US WHAT YOU THINK!



VETS' PRACTICE MARKET PLACE

Despite hard economic times, we have many willing buyers but a shortage of practice sellers. If you are selling whole or part of your practice, why not list it with ValuVet?

ValuVet may be able to help with contacts, marketing, feasibility analysis or valuations. Confidentiality guaranteed!

Contact us for more information on...

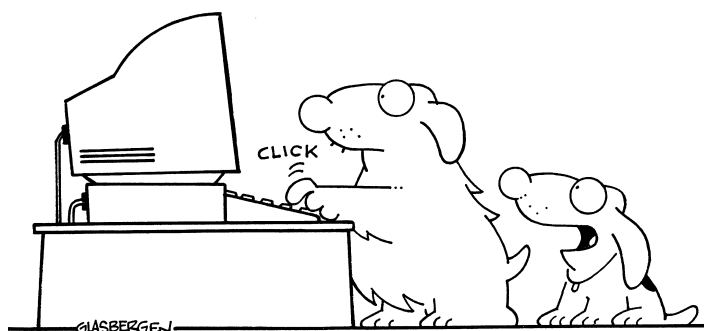
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Help us 'Save the Trees' by letting us send you our Newsletter electronically. If you would like to receive an electronic newsletter, why not 'Contact Us' through the website at www.valuvet.com.au and send us your E-mail address



- Practice and Equipment Valuations
- Practice Assessments
- Partnerships
- Career Advice
- Benchmarking
- Practice Marketing and Strategies

VISITING SCHEDULE

In order to defray travel costs, our visiting schedule will allow clients to co-ordinate with our movements.

MAY	SA & WA	AUG	NSW
JUN	QLD & NT	SEP	SA & WA
JUL	VIC & TAS	OCT	QLD & NT

Regardless of the proposed schedule, our consultants are available at all other times as the situation demands

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