



BUYING A PRACTICE

If you are contemplating buying a practice, what are the things you should look for?

It goes without saying that legal and accounting due diligence should be done on the titles and the financial returns of the practice but what other things should a buyer look for?

Practice statistics: These days, computers can reveal a mine of information but the most important item in my mind is the number of 'active clients' and the number of times a year they visit.

Staffing: Is the practice appropriately staffed (ie. too much or too little) for the size of the practice and will the staff be staying on? What are their skills?

Type of work: What is the species breakdown of the work of the practice? Do you have all the skills to cover the field and where can you add to the service mix?

Demographics and Competition: Does the local population support the number of veterinarians in the

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practice (you need about 3500-4000 population to support one full time vet in general practice)? Who and where are your neighbouring colleagues and what type of practices do they run?

Stocktake & equipment: How much stock is at hand (we normally see \$10-12,000 per full time vet in general practice) and what is the 'stock turnover figure'? What equipment is available and what condition is it in? Are there any important 'income producing' items of equipment missing?

Building & lease: Is the building suitable for the purpose or will it need maintenance, extending or relocating? If you are leasing, how much time remains on the lease?



EDITOR'S COMMENTS

Dr Tony Thelander
Director ValuVet

AVA Conference – What an annual celebration the AVA Conference is. It is always well run and the scientific program invariably has something for everyone. In addition there is the collegiality of catching up with your mates, finding what is going on in the industry and of course, the excellent trade display. I defy any practitioner not to be stimulated by such an event.

Conference highlights – Two of the highlights of the AVA Conference for me were the launch of the AVA Chart of Accounts by the AVPMA (see article on Book keeping in this edition) and the animal behaviour stream run by AVBIG. The key note speaker, Dr Sarah Heath from the UK spoke to a packed house all week and I have to confess, turned many of my ideas (misconceptions) on cat and dog behaviour upside down. I can thoroughly endorse obtaining a copy of the proceedings if you were unable to attend.

World events – Having just returned from overseas, one becomes aware that Australia is not the centre of the world and how vulnerable we are to World events. Although it is far from our shores, acts of Nature such as the Icelandic volcano are capable of disrupting an otherwise fragile European economy thus compounding the effects of several countries that are close to bankruptcy. Of more concern is the 8% annual growth rate in China – how long can that go on for? Australia needs to be concerned should China falter. Now is a good time to consolidate your business in case tougher times are ahead.

End of Year – June 30th is fast approaching so time to prepare for the end of the financial year (see David Sharp's article this edition). One task not performed by all practices is an annual stocktake. Whether your accountant requires one or not, an annual stocktake is a most beneficial exercise for a couple of reasons: Firstly, you gain some insight into how much money you have invested in inventory which is sitting on the shelf and secondly, you can have an annual purge of redundant and dated drugs.

Future conferences – For the ValuVet team, veterinary conferences are our way of keeping up to date (Hugh and I still do 1 day a week in practice) and also being available to those of you who wish to meet us face to face. I shall be attending the ASAVA (August) and the AVPMA (November) in the second half of this year and Hugh will be attending all CVE refresher courses and the Science Week (July). If you see us walking around, come and say 'hello' – we are always happy to discuss practice issues with our colleagues.

We normally look for a 10 year lease minimum to allow the practice time to relocate if necessary.

Transfer of goodwill: Will all the goodwill be transferred to the new owner? Will the vendor be willing to work for a transition period to introduce those 'personal following' clients and will your skill base satisfy the needs of all clients?

True net profit: After all normal running expenses are accounted for (including a realistic salary for the practice owner), how much is left in profit and how long will it take to pay off the purchase price out of profit while accounting for tax?

Reliable valuation: Is the vendor's offer or price based on a recognised valuation methodology performed by a recognised valuer or is the offer a 'rule of thumb' or a vendor's own valuation?

At the end of the day (after all due diligence) you must ask yourself

'what are the opportunities in this practice and where can I make a difference?'

At ValuVet, we are available to potential practice buyers by either valuing a practice (with the vendor's consent) or we can assist externally by examining financial and other data to validate the vendor's offer. Remember, if you are contemplating purchasing a practice, take your time, examine all the data and seek professional help where needed. Money spent on 'getting it right' will be more likely to impress the bank manager and may save you thousands of dollars in the long run. ■

Dr Tony Thelander (Director, ValuVet)

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

A visit by a ValuVet consultant and a Practice Assessment Report may be a great investment in challenging 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.



FEATURE PRACTICE



Tableland Veterinary Service

Tableland Veterinary Service consists of two main practices at Malanda and Atherton with branches at Ravenshoe & Weipa. The main large animal facility at Malanda consists of a central administration centre & small animal clinic together with state of the art equine and cattle facilities which are shared by the JCU student teaching unit which adjoins the practice.

In addition, the practice runs data processing, milking machine servicing and rural retail supplies services for its dairy clients. TVS is an AVA Practice of Excellence and is a fine example of a well run, diversified business – congratulations to partners Drs Bill Tranter, Ian Hosie, Frank Condon and their team.



Equine Facility



Dr Frank Condon in action



Equine Stables



Equine Operating Theatre



Cattle Examinations



Cattle Pens



Dr Bill Tranter working with students



Farm Retail Supplies



Landscaped Gardens

VET'S 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 407: **Capital cities/ major regional centres** 2 vet SA
- Buyer 415: 2 hrs of **major regional centre or metro** 2-3 vet SA
- Buyer 432: **Capital cities/ major regional centres** 2-3 vet SA
- Buyer 434: Mixed practice within 4 hours of airport or major centre
- Buyer 450: **VIC / Southern States** 2-3 vet SA/Mixed

VICTORIA

- Buyer 176: **Melb SE Suburbs** 2-3 vet SA
- Buyer 220: **Melb metro area** 2+ vet SA
- Buyer 300: **Melb NE Suburbs** 1-2 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
- Buyer 443: **Geelong area** 2-3 vet SA
- Buyer 444: **Melb metro area** 1-3 vet SA
- Buyer 446: **Outer East Melb/SA/QLD** 1-2 vet SA
- Buyer 448: **Melb metro or Large Regional** 2-3+ vet SA
- Buyer 449: **Melb/Cairns/Brisbane** 1-3 vet SA

NEW SOUTH WALES

- Buyer 309: **Syd metro area** 2-3 vet SA
- Buyer 342: **Syd metro/Canberra** 3-4 vet SA
- Buyer 394: **Syd/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
- Buyer 442: **Sydney** 2-3 vet SA

QUEENSLAND

- Buyer 287: **Gold Coast/Sydney** 1+ vet SA
- 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
- Buyer 445: **Brisbane metro area** 1-2 vet SA
- Buyer 447: **Sunshine Coast** 2-3 vet SA

SOUTH AUSTRALIA

- Buyer 441: **Adelaide southern suburbs** 1+ vet SA

SELLERS

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

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

TASMANIA

- Seller 210: **East Coast TAS** – 1 vet Mixed practice ♣ ✱

NEW SOUTH WALES

- Seller 057: **SW Sydney** 4 vet SA practice ✱
- Seller 179: **Western Syd** – 1 vet SA ✱
- Seller 184: **Southern Syd / Sutherland Shire** – 1 vet SA
- Seller 195: **Warners Bay** – PETstock vet clinic ▲
- Seller 202: **Outskirts Canberra** – 1 vet SA ✱
- Seller 204: **Central Coast** – 1/2 vet SA ✱

QUEENSLAND

- Seller 171: **Central QLD** – 2 vet Mixed practice ▲
- Seller 178: **Central QLD** – 3 vet Mixed practice ✱
- Seller 183: **Sunshine Coast** – 1+ vet SA ✱
- Seller 189: **Wide Bay area** – 1+ vet SA ✱
- Seller 198: **Bundaberg** – 2 vet SA ♣ ✱
- Seller 199: **East Darling Downs** – 1 vet SA ✱
- Seller 203: **Cairns** – 1.5 vet SA ✱
- Seller 208: **Brisbane Metro** – 1.5 vet SA ✱
- Seller 211: **Toowoomba** – 2 vet SA ✱
- Seller 213: **Rockhampton** – 3.5 vet SA ✱

VICTORIA

- Seller 196: **Bendigo** – PETstock vet clinic ▲
- Seller 201: **North Melb** – 1 vet SA ✱

WESTERN AUSTRALIA

- Seller 200: **Perth** – 1 vet SA
- Seller 212: **North of Perth** – 1 vet SA ♣ ✱

LEASE

These practices have premises to lease, for further information please visit profiles on the website.

NEW SOUTH WALES

- Seller 187: **Upper North Shore Syd** – Centrally located specialist centre

See website advertisements on www.valuvet.com.au



PRACTICE MONITORING SERVICE

In addition to valuing practices, a large part of ValuVet's time is taken doing 'practice assessments' in order to identify problems in our clients' practices and to assist them forward. Unfortunately there is a large gap between identifying a problem and fixing it (for all sorts of reasons) so to this end, ValuVet has decided to introduce a PRACTICE MONITORING SERVICE.

After we have written your practice assessment report

- We will discuss the recommendations with you then ask you to prioritise them.
- We will establish what you would like to monitor and set appropriate KPI's (key performance indicators) to measure your progress
- We will then establish a realistic time frame in which to work and we shall tailor our monitoring service accordingly. We need to establish how often we need to call
- We will also establish at what level you wish to be monitored (we propose at 3 levels) and the cost will vary according to complexity and involvement.

Every practice is run differently and each practice will have different monitoring requirements so the service is tailored to suit the situation. So if you need a bit of assistance in keeping your practice on track and moving forward, why not give us a call and see if we can help?

Call Dr Tony Thelander
07 3831 5555



DIY BOOK KEEPING?

Love it or hate it, one of the things I least liked in business was having to 'do the bookwork' (especially after a hard day in the clinic). Although computerisation has made the job of book keeping easier through programs such as MYOB and Quick Books, unless you have the time and aptitude to do your own book keeping, I think that this is one of the first tasks in veterinary practice that should be responsibly delegated (preferably to a professional with references). Remember that in the corporate situation where a high level of compliance and transparency is required, this work is usually done by a separate accounting department within the company.

Professional book keepers (either formally or informally qualified) will save you many times their fees in lost sleep, lost productivity, lost entries and accounting fees. A good book keeper needs to have access to a clear audit trail of income and expenditure (ie. Keep all your receipts and records) and from there you can expect to have your monthly income statements and quarterly BAS done; financial reports and KPI's produced and end of year financial details delivered to your accountant in a timely and accurate fashion.

AVA Chart of Accounts: One of the best things to come from the recent AVA Conference was the launch of the AVA Chart of Accounts which has been put together by the AVPMA under the supervision of Dr Tom Catanzaro, and a select committee including a chartered accountant. The benefits of the new chart of accounts will be twofold: They will be able to be integrated into

MYOB or Quick Books and will deliver immediate useful financial information on the practice for the owner. In addition, they will present the same information to the book keeper and the accountant for BAS and end of year processing. This will cut out at least one step in the financial recording process, thus saving time and money.

Consultants: As ValuVet consultants, we have the task of reviewing financial returns (the standard and usefulness often varies widely), whether for valuing, monitoring or for assessing practices. To have a standardised chart of accounts for all our client practices will make our work so much easier and will be far more useful for the interpretation of performance of various aspects of the business. I urge all practice owners to contact the AVA for a copy of the new Chart of Accounts (free to members) with the view to implementing them in your practice and to discuss them with your accountant and financial advisor to see if they would improve the financial management of your practice.

In our valuation and assessment work with veterinary practices, the members of the ValuVet team come across many good book keepers so they are available. If you are thinking of retaining a bookkeeper, first discuss this with your accountant then ask around and be sure to check references. You may want your accountant to supervise the book keeper initially to ensure that the process is proceeding appropriately and will provide the benefits you expect. ■

Dr Tony Thelander (Director, ValuVet)

BE PREPARED!

At ValuVet we often get emails or calls from vets who would like us to let potential buyers know that they have decided to put their practice on the market.

The first question we ask is whether or not they are really ready to do this. When asked if they have a firm price in mind for goodwill; do they know the value of the equipment; is the real estate for sale and if not do they have a fair and reasonable rental figure established - more often than not, these questions are met with an embarrassed pause, or "well no, but I think the time has come to sell the practice and I have heard you have a list of registered buyers".

While this scenario may seem a little contrived, it is in fact common and has happened many times over the last few years. Most of us would not think of offering a house or car for sale without first establishing a realistic asking price, so why would we treat a business any differently?

A lack of preparation in this area sends out the same message as when you see a sign on a car saying \$25,000 ono! This is the same as saying I do not really know what it is worth, but I thought I would pop it on the market and see what comes along!

ValuVet can help you to determine a realistic price for your practice goodwill and equipment and we can advise you on how best to present and to offer your practice for sale.

As veterinarians with over 70 years combined experience in the industry, we can see things from the eyes of an objective observer and help you to make your business more attractive to a purchaser in a multitude of different ways.

Many practice owners manage to sell to practice employees or existing partners but without an objective appraisal, how do both parties know they have arrived at a fair price?

Solo and smaller rural practices often do not have the luxury or opportunity for an internal sale and these practices often take much

longer to sell due to unrealistic expectations and a lack of planning and forethought.

If you are thinking about selling your practice, never forget the old Boy Scouts' motto "Be Prepared". Do all that you can to make sure you have done everything in your power to facilitate the process. Go into a sale knowing that you have done your homework so that you will not have to settle for less or be embarrassed by being under prepared. ■



Dr Hugh White MVSc MACVSc

YOUR INDUSTRY – YOUR INDUSTRY SOURCE


www.valuvet.com.au



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
- Positions Vacant - Advertisement Board
- 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

END OF FINANCIAL YEAR – SOME TAX STRATEGIES.... FOR YOU AND YOUR BUSINESS



The end of the financial year is almost upon us, following are some ideas you may wish to consider.

Write off any old debts you don't believe you will ever collect. This will reduce your profit for the year.

Consider prepaying interest on business loans and other business expenses. Contact your accountant before making any substantial payments as this strategy should be used selectively.

Make sure you pay all super for your employees and yourself before 30 June. Super is only deductible in the year it is paid. The limit for under 50's is \$25,000, and over 50's is \$50,000.

Do a stock count and write off any old or out of date stock. This is not a big job and pays dividends as you will have a more accurate idea of your true profit. Remember, as a rule of thumb there should be approx. \$10,000 value of stock for each full time vet (40 hours) in the average general practice.

Review your investments. If any are in a loss position it may make sense to sell them to crystallise a loss which can be applied against profits you have made during the year or carried forward to next year. Check with your Accountant or Financial Planner before selling as there may be reasons to continue to hold the investment.

If you have a rental property consider the following:

- Complete any repairs and maintenance before 30 June.
- If you have a newer rental property or one which has been substantially changed or renovated by you or a previous owner, consider the opportunity to claim the Capital Allowance. Discuss this with your accountant.
- If you have just purchased a property, check with your accountant if you will be required to register for Land Tax.

Consider if you have had significant health costs this year. For the 2010 Financial Year the threshold is \$1,500; you will be refunded 20% of unreimbursed expenses above \$1,500. Generally the tipping point here is if you have had an operation, a bout of sickness or if you have a family; then it is not that difficult to be over the \$1,500. Medicare and most health funds provide annual summaries showing your out of pocket amount. Also included are all drugs, medications and health related items purchased from a Chemist as well as all fees paid to allied health professionals including Chiropractic, Podiatry, Physio, Dental, Optical etc..

Before the end of June, while you are actively thinking about tax, gather together all your receipts for work expenses, donations, share trading documents, dividend statements, business or investment loan statements. It is usually difficult and frustrating to be chasing pieces of paper or trying to remember what happened in 6 months time. Even if you just throw it all in the proverbial shoe box with some notes; that is better than doing nothing at all.

Finally, most important of all - ask your accountant. You never know, that expense may be deductible so if in doubt, keep the details and ask your accountant. ■



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

PRACTICE MANAGERS

As veterinary practice consultants, we regularly come across practices that employ a 'practice manager' but we find that the job description varies widely. Smaller practices often delegate some office or clerical tasks to an existing staff member (often a senior nurse) – this, I would classify as an 'Office Manager'

Medium sized practices tend to delegate additional tasks such as staff supervision, banking, book keeping, ordering and marketing to other clerical tasks – this I would classify as a 'Practice Manager'

Large enterprises often employ managers with managerial qualifications to lead a separate department of the business complete with supporting staff and other resources – this I would classify as a 'Business Manager'

Regardless of title, some items to consider are thus:

- Delegate appropriately (give the job to someone who likes managerial work and who is qualified for the task)
- Be specific about the duties involved in the position (a well defined job description is essential)
- Understand and periodically check your manager's work (particularly if he/she is entrusted with financial duties)
- Be prepared to pay an appropriate salary (a good practice manager may be able to earn as much as some qualified vets depending on responsibilities).
- Be prepared to invest in their education (practice management is a career and managers should keep up to date)
- 2-3% of practice turnover should be spent on practice management (this includes owner's managerial time as well as employed managers)

In our valuation work, it is quite evident that veterinary practices that employ 'practice managers' are often better run and consequently more profitable than those that do not. So how large should your practice be before you employ a practice manager? Once a practice has 2 or 3 full time veterinarians, you should consider hiring managerial assistance perhaps on a part time basis. Larger practices with 5 or more veterinarians can generally afford to employ a manager in a full time position.

What qualifications should you look for in a practice manager? Obviously some industry knowledge is helpful but in my mind, not essential – this can always be quickly taught. The most important qualifications are 'application' and 'communication' and depending on the practice requirement, skills in HR, book keeping, financial control and marketing. So where do you find this super person? Often the best practice managers come from outside our industry and often with formal qualifications from previous workplaces.

By far the best home grown candidates for this position are the UNE graduates in veterinary practice management – regrettably there are not a lot of them available on the open market so many vets sponsor their own employees through the course – good luck if you can pick one up!

Practice management is an emerging career within our industry and practice investment in this area will readily reap its own rewards in the bottom line. ■

Dr Tony Thelander (Director ValuVet)

PARTNERSHIPS WANTED!

Are you looking to share the workload and the investment in your practice? Do you want to accelerate practice development or introduce new skills to your business? Are you looking for succession at some time in the future?

Perhaps you should consider taking on a partner!

The easier and quicker way to sell a practice is internally so you need to have a colleague in place who will step up and buy out your share when the time comes for you to retire.

Did you know...

- that our Web Site www.valuvet.com.au carries advertisements for vacant partnership positions?
- that ValuVet has some partnership information which we are happy to share if you are thinking of going into partnership?
- that the ValuVet consultants are always available to discuss practice ownership structures and options including partnerships (either intended or existing)?

For partnership advice or website advertisements call us on ph: 07 3831 5555



- 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 inter-state movements.

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

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

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