



SHOPPING AROUND

When it comes to price shopping on practice valuations, ValuVet will lose every time for the simple reason that we insist on visiting the practices we value.

We do not do desktop valuations!

Why would we do this?

Simply because most of our clients are more comfortable knowing that someone has been out to look at the practice as well as running the numbers. Apart from visiting the practice to see the facilities, we are able to ascertain first hand, the opportunities that a buyer may be looking for; we are able to value the equipment at 'market value' (this cannot be done from a desktop) and as veterinarians, we are often able to impart our knowledge as to how the practice can be improved. In fact, one good idea can more than pay for our fees.

Often the 'number crunching' in valuations is taken for granted but the reality is that it is best done by an accountant who has an intimate knowledge of our industry and is familiar with many other business models – one size does not fit all. Our valuations combine the experience and talents of highly experienced veterinary consultants who

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- Partnerships

are able to brief a highly specialised chartered accountant so the end result is that our clients get the added benefit of having their business assessed by the two professions.

ASSESSING AN OFFER

The only exception to our 'visiting rule' is when we are asked (usually by a prospective practice buyer) to 'assess an offer' given by a vendor. In this situation, it is not always possible to perform a formal valuation so due diligence is performed on whatever material has been supplied by the purchaser. We assume that the prospective buyer has



DIRECTOR'S COMMENTS

Dr Tony Thelander
Director ValuVet

End of Year: Another Financial Year has come to a close so how did your practice end up? From the ValuVet perspective, trading in the last quarter of the year just gone was a little subdued for many but historically, this is the quietest time of the year for most practices anyway. The big question is, 'what did you do during the quiet months to improve your practice'? Every practice is different but I used to do a stocktake, encourage full time staff to take holidays, do repairs and maintenance, attend CE courses, review the business – the list is endless but make use of the quieter times.

Budgets: The most beneficial thing you can do for your business at this time of the year (and it does not cost a cent) is a BUDGET! Of the practices we visit on a weekly basis, only about **10%** perform a useful budget. A business without a budget is like driving in a strange city without a map (or a GPS). You can use MYOB, Quick Books, even the back of an envelope but it is the exercise of sitting down and thinking about your business that will pay dividends this time next year – DO A BUDGET! Your accountant will be impressed.

Guest contributor: From time to time we like to break the monotony of always hearing from the ValuVet team so this edition I have asked that well known practice consultant (who now resides in Brisbane), Dr Tom Catanzaro to share some of his wisdom from his own experiences. He gives a timely message to us all – I hope you enjoy his article and his case report.

AVPMA Hospital Tour: On August 25th to 27th, Dr Warren Foreman (Adelaide Animal Hospital) and I will be conducting a tour organised by the AVPMA, around 5 leading Melbourne practices. The tour will be open to non-Victorian vets (they get a chance next time) and will involve an in-depth analysis of the facilities and the business practices of each practice. If you would like to see how other successful practices operate, you can book or make enquiries through the AVPMA office Ph: **(02) 9431 5064**. Don't leave it too late as seats are limited.

Practice valuations: Have you ever had your practice assessed or valued? Do you know how much your asset is worth? What if you had to sell the practice urgently – is it ready to sell? If the answer is NO to all these questions then you may be putting your business at risk and running it in a less than optimal fashion. If you have already had your business assessed or valued then how is it performing now? All businesses (just like our patients) need a periodic assessment to see if they are on track – we would recommend a valuation and/or assessment each **3 to 5 years** depending on the practice. It is not hard to make small changes to a practice that can often make a huge difference to the 'bottom line' and hence increase the value of the practice markedly.

Web site: Moving with the times, ValuVet's website will shortly be undergoing re-development. All businesses can benefit from a good website these days and ValuVet is no exception so we are putting our money where our mouth is. Unless you have talents in the IT & creative arts areas, I really advise that you seek professional help when you are designing or re-developing your website. Some sites are really sophisticated these days and home grown sites are easy to spot and will attract far less attention.

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either visited or worked in the practice and done his/her own assessment of the facilities. Our assessment of the 'offer' once again combines the involvement of a veterinary consultant advising our chartered accountant on the veterinary aspects of the proposal and the accountant reviewing the numbers. We are then able to advise on the pro's and con's of the proposed purchase as well as the financial viability of the offer.

As the old saying goes, 'You get what you pay for!' We think this applies to valuations of veterinary practices too. ■

Dr Tony Thelander (Director ValuVet)

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FEATURE PRACTICE



Family Vet Centre and Boarding Kennel, Wodonga

Not all the good practices are found in the Capital cities. The Family Veterinary Centre and Boarding Kennel in Wodonga is an excellent example of the principals' vision and courage to build for the future. Designed by Dr John Hamilton, the hospital is well

laid out and in addition, well equipped. The boarding establishment looks like the hospital – it is a state of the art facility. Partners, Drs Peter Lee, Justin Clancy and their team should be justly proud of their wonderful facility.



Modern clean building - Sealed carpark



Waiting & Reception



Exam Room



Pharmacy



Prep area and Wards



Operating Theatre



Boarding Reception



Cat Condos



Boarding Kennels

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
- Buyer 458: **Capital cities/ major regional centres** 2 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 445: **Brisbane metro area** 1-2 vet SA
- Buyer 447: **Sunshine Coast** 2-3 vet SA
- Buyer 451: **Gold Coast** 1-3 vet SA
- Buyer 453: **Nth Sunshine Coast** 1-3 vet SA
- Buyer 457: **Sunshine Coast** 1-2 vet SA
- Buyer 459: **Gatton** 1-2 vet SA

SOUTH AUSTRALIA

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

WESTERN AUSTRALIA

- Buyer 454: **Perth Metro** 2 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 442: **Sydney** 2-3 vet SA
- Buyer 460: **Syd metro area** 1-3 vet SA
- Buyer 462: **Sydney South** 1-2 vet SA

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 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
- Buyer 452: **Melb metro area** 1-3 vet SA
- Buyer 455: **Geelong area** 1-3 vet SA
- Buyer 461: **NE Melb** 2 vet SA

TASMANIA

- Buyer 456: **North West Tasmania** 2+ vet Mixed

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

QUEENSLAND

- 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 215: **Brisbane Metro** – 1 vet SA ✱
- Seller 218: **Magnetic Island** – 1 vet SA

NEW SOUTH WALES

- Seller 179: **Western Syd** – 1 vet SA ✱
- Seller 184: **Southern Syd / Sutherland Shire** – 1 vet SA
- Seller 195: **Warners Bay** – PETstock vet clinic ▲
- Seller 204: **Central Coast** – 1/2 vet SA ✱

VICTORIA

- Seller 196: **Bendigo** – PETstock vet clinic ▲
- Seller 201: **North Melb** – 1 vet SA ✱
- Seller 207: **NE VIC** – 2 vet Mixed practice
- Seller 220: **Geelong** – 1 vet SA ✱
- Seller 221: **Hurstbridge** – 2 vet SA ✚ ✓ ✱

TASMANIA

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

SOUTH AUSTRALIA

- Seller 139: **Port Lincoln** – Premises for Sale or Lease ▲ ✱
- Seller 222: **Kadina** – 1 vet SA ✱

WESTERN AUSTRALIA

- Seller 200: **Perth** – 1 vet SA
- Seller 212: **North of Perth** – 1 vet SA ✚ ✱
- Seller 217: **Busselton** – Premises for Sale or Lease ▲ ✱

LEASE

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

- SA** Seller 139: **Port Lincoln** – Premises for Sale or Lease ▲ ✱
- WA** Seller 217: **Busselton** – vacant premises – for Sale or Lease ▲ ✱
- NSW** Seller 187: **Upper North Shore Syd** Centrally located specialist centre

See website advertisements on www.valuvet.com.au

MARKETING YOUR PRACTICE FOR SALE.

At the risk of being repetitive, it seems timely to reflect once again on the options available for marketing your practice with a hope to selling it in a timely fashion, once the decision has been made to move on.

At Valuvet we get many inquiries from potential buyers about practices for sale, as well as queries from vendors about how to go about selling a practice.

Some practices sell quite quickly while others take many years to find a buyer, so it is worth considering the reasons for these differences.

- In general city practices sell more easily than regional or rural practices, which is no surprise given the changing demographics of the veterinary profession.
- Rural practices tend to be easier to sell to existing employees or to associates who join a practice with a view to ownership or partnership so you need to try to create the appropriate ownership structure for this to occur.
- Despite the overall trend to relocate to sea-change or tree-change locations, we have seen some good practices located in what would seem to be very desirable coastal or strong regional towns remain unsold for long periods. It seems there are a limited number of vets wanting to work outside the large capital cities.

What can you do to facilitate the sale of your practice?

- First and foremost, **be prepared**. We still find vets wishing to sell who have not thought the whole issue through. Know what you are offering for sale; how much it is worth and what you are prepared to take. In other words, have your practice properly assessed and evaluated before putting it on the market.
- Buyers look for opportunity so you need to understand how your practice generates its income and

what opportunities there are for a buyer to improve the practice's performance. You are selling 'opportunity' so you need to market accordingly.

If you consider the reasons why practices do not sell - they are usually overpriced, poorly located, poorly maintained or unprofitable, so to expedite a sale, you need to address as many of the negative factors as possible. This may mean developing your practice so that it is attractive to current employees as well as to potential buyers.

Advertising your practice:

Whether you are advertising your practice in print or electronic media, you need to advertise in an effective manner. Put your advertisements where they are likely to be seen.

- A picture is worth a thousand words so if you are going to display your practice on the Web or distribute brochures, make sure your photographs show the practice in the best light – have them professionally taken if necessary.
- Your selling points need to be factual and where possible, illustrate opportunity in order to make your practice attractive to potential buyers.
- Market the practice to the widest possible audience – buyers can come from anywhere (even overseas) so using electronic media should be in the marketing mix.
- Identify potential buyers such as your staff or your neighbours. Identify people who can pass the word on for you such as agencies, brokers and maybe through the local network of wholesalers and drug reps.



- Lastly, be patient! Very few practices are "snatched up". In the end, there is one buyer for every practice but that buyer may not be ready to buy yet.

Web based advertisements:

At Vets Practice Market Place we can help you with the sale process.

With an independent valuation from Valuvet you are much less likely to have ongoing arguments about price. With the Buy and Sell section of the Valuvet website, www.valuvet.com.au you can select the type of web based advertisement you want, write your own description (with our help and advice) and submit the most stunning photos you can find.

Once your advertisement is finalised we will contact all our registered buyers to make sure they are aware of the new listing. This service is designed to give your practice maximum exposure and to place your practice in front of a receptive audience. ■



*Dr Hugh White MVSc MACVSc
Valuvet Consultant*

PLANNING FOR THE UNPLANNED AND UNEXPECTED

Practice appraisals—or valuations—are useful for all types of situations: Preparing for a practice sale, a practice management tool; associate buy-in; and divorce or partnership dissolution. There's another important area where a prior valuation helps practice owners: In the unfortunate situation of an unexpected death. The average age for a cardiac misadventure for a male in the USA is 48 and 50% never recover.

Unexpected death is not a topic we like to think about, but it is a sad reality we sometimes see as valuers. Should the unexpected happen, a prior valuation offers an important starting point for family members, business partners, and estates.

When a valuation has been done while the practice owner or owners are living, there tends to be a greater level of comfort or acceptability by those putting the estate pieces together. Children or heirs can have unrealistic or unfounded expectations as to how much the practice is worth. Business partners, spouses and sometimes advisors often choose to share these unfounded beliefs, rather than to validate the true value of the practice by means of a valuation.

Concerns can often surface that a business partner, an outside buyer or a new-to-the-scene advisor is trying to capitalize on the situation and get an unfair deal. Most times this is not the case, but there are emotional and financial stumbling blocks prohibiting the parties from working together to make the best of an unfortunate situation. No one wants to sell the practice short by any means, but what truly is a fair and reasonable value for the practice? Advice from those trying to help the situation can sometimes fall on deaf ears. An opportunity for succession can be lost because the family or partners can't agree on the value or the more likely result; everyone in the family leaves dissatisfied or bitter because they feel they were monetarily short-changed with the resolution of the practice.

A prior valuation that was acceptable to the practice owner or owners while all were alive, however, goes farther with those struggling with the estate and can help dispel unrealistic expectations. This is true even though the valuation must now be brought current with updated financials. The prior valuation is a starting point for first death insurance, stock value, and estate planning. A candid and not time-forced valuation is an important foundation that the family can turn to knowing that dad, mom or the business partner accepted it, even if it was performed years earlier.

Importantly, there is no agenda on any side with a valuation done even several years before an unexpected death. That can translate to fewer internal family fights about the practice value later and lead to a more successful practice transition. A practice valuation helps the practice owner look ahead. With the 13 Risk factors published by VetPartners (USA), 8 can be effected by the practice leadership to improve the practice value; it cannot occur overnight. If the practice is properly evaluated the immediate gain is that the owner will receive important insights into the current financial health of the business. Additionally, a valuation may also provide some unanticipated peace of mind. ■



Dr Tom Catanzaro (veterinary practice consultant)
Ph: 0416 285 975

Case Report

(courtesy of Dr Tom Catanzaro)

It could never happen in Australia

In one case, we had a client wanting to buy a sleepy little east coast (USA) practice (so the financials said). The seller wanted to be helpful and sent my client a LEGALLY NOTARIZED list of the skimmed money (taken but not reported); cash, perks, and products she had been taking out of the practice for years, and wanted it included in the valuation process. My client called wanting to know what to do. Answer was simple, tell her: "Take the offer on the table, it has been based on your financials, or the NOTARIZED list will be sent to the Internal Revenue Service for taxation action." The deal was done, the seller was very unhappy, and the buyer was ecstatic with all the newly found liquidity.

PARTNERSHIPS

Partnership is still the most common business structure we see in multi-vet practices and there are good reasons for this: Firstly, it is a very simple legal structure and it is inexpensive to draw up. Secondly, it seems to suit veterinarians whose accountants recommend an uncomplicated personal accounting structure. The disadvantage is that each partner is jointly and severally liable for the business (in other words, if someone sues, they can come and get your house). Professional indemnity and public liability insurance should be taken out to protect the individuals in this situation.

The best way out of this dilemma is to form a company so that the owners of the business become shareholders and they are then protected personally (with some limitations) by the corporate veil. Your accountant will suggest the best legal structure for your practice to operate under.

Regardless of whether you are in a partnership or a company structure, you must still maintain a working relationship with your colleague and business partner. Sadly, an all too common reason for practice valuations is for the dissolution of a partnership where the working relationship between partners has broken down. In the vast majority of cases, this would not have happened had the veterinarians concerned sat down together before joining forces and discussed their individual involvement and how the practice was to be run.

In order to avoid future problems within a partnership, prospective partners should consider and discuss

the following issues prior to making formal arrangements. Please note that this list is not exhaustive – there are many additional issues that should be discussed depending on circumstance:

Vision: Many partnerships break down because the partners fail to share a common vision so ‘what vision does each partner have for the practice (future goals, future partners, corporatisation..) and what vision does each partner have for the partnership and for him/herself’?

Practice philosophy: What professional standards and values does each partner hold and what does each partner expect of the other professionally? How does each partner wish to conduct the practice with respect to staff, clients and patients?

Personal: What special skills will each partner contribute to the practice; what role ambitions in the wider profession does each partner envisage; what part should wives/partners play in the running of the practice and what social interaction does each partner contemplate?

Work & remuneration: How many professional and management hours does each partner intend

to contribute; how should this be remunerated and how should management tasks be delegated between partners?

Different hours worked: If for any reason it is not possible for all partners to share the practice workload equally (this may be by design where a senior partner may wish to step back a little), an arrangement can be made to pay all partners a salary according to the hours spent in the practice and excess income is then distributed on a regular basis (quarterly or half yearly). For the sake of practice continuity and management, if a partner elects to work less than 3 days per week in the long term then retirement from the partnership should be considered.

Practice benefits: What are the rules on study leave, ordinary and long service leave and sick leave? In addition, what consideration should be given to profit sharing, vehicles, conference attendance, AVA membership, income protection and key man insurance and other allowances?

Legal matters: Consider the choice of practice lawyers and accountants, policy on dispute resolution, policy on practice valuation and policy on future buy-in & sale of partnerships.

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In addition, if real estate is involved, the terms of lease of the practice premises, fair market rent and first option to buy should be considered.

Review: Once finalized, I strongly advise that the partnership agreement be formally reviewed approximately each 3 - 5 years. Like all documents, they can date over time and regular reviews are necessary to avoid confusion and argument when the partnership changes in the future. It is much better to fix things up as they go than to wait till the last minute and find that there is a problem.

Business assessment: In the light of this review process, it is also a good idea to have the business reviewed and valued each 3-5 years to keep the partnership on track. A healthy business makes for a healthy partnership.

There is an old saying:

"Partnerships are like a marriage – easy to get into but hard to get out of".

Prior consideration of some of the less tangible and personal aspects of a working arrangement may save a partnership from the divorce court down the track. ■

Dr Tony Thelander (Director ValuVet)

STRATEGIC PRACTICE VALUATIONS

How much is your practice worth now?

If you can't answer that question then you should be able to.

What if...

- you were suddenly approached by a genuine buyer?
- you plan to borrow from the bank and build your Taj Mahal?
- the senior partner in the practice were forced to retire suddenly?
- you are trying to make strategic decisions for the direction of the practice?

These are all reasons that ALL practices should be VALUED periodically, to make sure your business is in the best shape it can be ALL the time.

**For a confidential discussion about your practice
Call ValuVet on 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.

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

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

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