



WHAT MAKES PRACTICES EASY TO SELL?

written by Dr Tony Thelander - Director ValuVet

In our capacity as practice consultants, we get to value all types and sizes of practices in diverse locations across Australia. As a result, we get to see first hand 'what makes practices profitable (or unprofitable)' and 'what makes practices easy or hard to sell.

There are several major factors which are the key to practice value and consequent negotiability on the 'open market' (as opposed to internal sales to partners).

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- What Makes Practices Easy to Sell?
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TYPE OF PRACTICE

How does a mixed practice (say) small animal & equine (pleasure horse) stack up with a dairy practice or a companion animal practice?

The largest market is for companion animal practices followed by mixed animal practices, particularly if they are located in thriving rural communities or adjacent to major urban areas. The third type of practice is the 'specialized practice' which includes equine, dairy or consulting practices. Here, the pool of potential buyers is much smaller and a buyer literally must replace the departing vet to secure the business – this can be a tall order in some cases.

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EDITOR'S COMMENTS

Dr Tony Thelander
Director ValuVet

Dear Colleagues

Well, 2009 is under way and at this point, I am pleased to report that the mood in our practising community so far seems positive with respect to practice viability and to so called Recessions. It was interesting to note that Dr Rod Straw was reported last week in the press as saying that it was 'business as usual' at his Specialist Referral Centre in Brisbane. Some practices have levelled a bit compared to last year but I have yet to speak to anyone who has taken a real 'dive'.

Seminar

Our SUCCESSION SEMINAR in Melbourne in November was an equal success to Brisbane with 35 (mostly senior) practitioners attending to get a feel for what is involved with eventually leaving practice. My thanks to Dr Richard Gowan and the MMPB for co-hosting the event. Our next seminar will be in Sydney on 26th February.

Web Site

The big news this issue is our WEB SITE! It is being completely overhauled and in time, we hope it will become the primary access point for all our services. Vets' Practice Market Place has been given high priority to make ValuVet an interactive channel in which to buy or sell practices or partnerships. Please ask us about listing if you are 'in the market' or visit us at www.valuvet.com.au.

Feline focus

I never cease to marvel at the enterprise of some of our practising colleagues. Recently I revisited a country practice that ValuVet had previously valued for sale. The new proprietor had not only trebled the income (and the value of the practice) in less than 3 years but had done so by largely promoting Feline services (in the Bush!) and by focussing on customer service. Truly, anything is possible if you have a vision.

Signs

The photo gallery this issue is on SIGNS. In our travels, we see (and don't see) both ends of the spectrum so I shall leave it to you to judge what you think works best. I know what I would do in my practice.

Team news

Our ValuVet Team has a busy schedule planned for the year. You will find Hugh at many of the Courses run by the Centre for Veterinary Education (he's the Director). I shall be attending most of the mainland AVA conferences and I shall be compelled to attend the ASAVA conference in Christchurch in August. Jim and David are Sydney based and you can catch up with them at our seminar next month. We are all happy and available to talk about your practice or your problems or ideas at any time – that's our passion!



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Basically, it is all about numbers and the forces of 'supply & demand'.

PRACTICE LOCATION

Location is a major factor which drives sales of veterinary practices. Once again, it is no surprise that it is easier to sell practices in the major urban areas than in provincial or rural areas. However, if rural areas are backed by viable industry and infrastructure (schools etc..) and are growing, practices will still change hands quite readily. There is also a good demand for 'lifestyle' practices in resort areas for obvious reasons.

PRACTICE PROFITABILITY

High profit practices sell much easier than low profit practices. Although they may cost more to purchase, they have better cash flow, making finance easier to obtain and loans easier to service. Corporate buyers are more likely to consider profitable practices.

SIZE OF PRACTICE

The highest demand is for 2-3 vet practices and for good reason. Often mid size practices are quite profitable; they can afford to be relatively well equipped; they offer lifestyle and they are relatively easy to run. One-vet and specialized practices are more difficult to sell because of their market vulnerability and the high personal commitment required maintaining them at a profitable level.

There are many factors which influence the attractiveness of a practice for sale so if you are thinking of selling your practice on the 'open market' one day, think about how you can make your practice appeal to the greatest group of buyers. ValuVet consultants are available to assist with practice appraisals and with marketing ideas. ■

EXTERNAL SIGNAGE - WHAT WORKS?

Good (effective) signage is cheap advertising.

Remember, the main thrust of signage should be directed toward attracting future clients (your current clients already know where you are).

Your main sign should be sufficiently impactful that everyone in your area knows where the vet is located.

Does your sign do this?

To advertise your business to the mass market I feel that 'Less is Best'

The rules are simple - **"what catches the eye works best"**

The basics are - Visibility / Readability / Impact or Meaning

Points to consider with signage are:

1. VISIBILITY

- How fast is the traffic
- Visual Clutter – competition with other signs/trees etc
- Visibility of your building

2. READABILITY

- Choice of colours of lettering and background
- Choice of lettering fonts
- Size does count with lettering

3. IMPACT OR MEANING

- What are you trying to say?
- Who are you saying it to?
- Does it fit in with 1 & 2



I have presented a collage of hospital signs below - using these parameters, you decide what works best (note the busy roads) then go outside and have a look at your own sign - **is it working optimally for you?** Why not ask a perfect stranger and find out?



SYDNEY – SUCCESSION SEMINAR

**LIFE AFTER PRACTICE!
APPROACHING 40?
YOU SHOULD ATTEND!**

**SYDNEY – Thur 26th Feb 2009
Le Montage, Dixon St, Lilyfield
7.30pm – 10.30pm**

ValuVet in conjunction with the SMPB, will hold our next Succession seminar in Sydney. Speakers will be from ValuVet, Financial planners and our Accounting firm with topics covering...

- Three personal journeys to succession and succession planning for veterinarians
- Prudent investment strategies for retirement
- Accounting aspects of valuing a veterinary practice

For more information contact:

**Dr Tony Thelander on 0409 478 762 or
Dr Tony Mosman on 02 9389 8411**



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

NATIONAL

Buyer 434: Mixed practice within 4 hours of airport or major centre

VICTORIA

Buyer 427: **Melb metro area** 1-2 vet SA
Buyer 220: **Melb metro area** 2+ vet SA
Buyer 429: **Melb metro area** 2-3 vet SA
Buyer 424: **Melb and surrounds** 1-2 vet SA/Mixed

NEW SOUTH WALES

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

QUEENSLAND

Buyer 425: **Gold Coast** 1-2 vet SA
Buyer 426: **Brisbane metro area** 2-3 vet SA
Buyer 428: **Brisbane/Sunshine Coast** 2-3 vet SA
Buyer 433: **Gold Coast** 2-3 vet SA

EASTERN SEABOARD

Buyer 432: **Capital cities/ major regional centres**
2-3 vet SA

SELLERS

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

- ✚ ValuVet report available
- ★ Excellent facilities
- ▲ Purpose built facility
- ✱ Website Listing

VICTORIA

Seller 163: **Ballarat** – 2-3 vet SA practice ✚✱
Seller 167: **SE Melbourne** – 1.5 vet SA practice ✚
Seller 169: **Mildura** – 1 vet SA practice (optional equine practice) ✱

NEW SOUTH WALES

Seller 57: **Western Sydney** 2 SA practices
Seller 166: **Griffith** 3 vet mixed practice ✱
Seller 170: **Wellington** – 2 vet Mixed practice ▲ ✱
Seller 173: **Central Coast** – 2.5 vet SA practice ★
Seller 174: **Central Coast** – 1.5 vet SA practice ✚
Seller 175: **Hills District** Partnership for sale in 2.5 vet SA/mixed practice

QUEENSLAND

Seller 171: **Emerald** – 2 vet Mixed practice ▲ ✱
Seller 175: **Sunshine Coast** 1 vet SA practice ✱

NORTHERN TERRITORY

Seller 165: **Gove** – 1 vet SA practice ✚

WESTERN AUSTRALIA

Seller 172: **Manjimup** – 3 vet Mixed practice ▲ hospital plus branch ✱



FREE ADVERTISEMENT ON WEB SITE

In 2009, practices that are valued for sale by ValuVet will be entitled to a free Web Site listing (if required) on the Vets' Practice Market Place page.

NEW WEBSITE COMING SOON!

PENDING RETIREMENT

A senior partner in a practice plans to retire in 4 or 5 years but would prefer to work less now. How can one do this without being unfair to partners?



Dr Jim Martin BVSc

Rarely is there adequate provision in partnership agreements for this situation.

A number of things should be considered before entering any arrangement:

Firstly, it is essential to discuss plans with the other partner or partners. Partners must be open with each other otherwise they should not be in partnership!

I have seen situations in the past, where there had been little or no discussion and other partners became seriously upset and so disrupted by the sudden revelation that it resulted in an unhappy dissolution and the complete sale of the practice.

Secondly, at least 12 or 18 months lead time should be given to partners to allow time to make arrangements for suitable replacement staff etc. It is also a good idea to time the start of the new working arrangements with the commencement of a financial year.

I emphasise the importance of talking with partners about retirement. Seek advice. Talk, plan and negotiate.

If you do this, everyone can plan effectively for the future; there are no surprises and often beneficial outcomes arise for all. I know where a young vet in a large practice enquired about the prospect of future partnership; a senior partner decided to sell his share (earlier than intended) to the younger vet. The older vet remained in the practice for a good many years working less hours before eventually retiring – it suited him and it suited the practice. The business was not compromised as the new partner worked with enthusiasm and enhanced practice value.

It is unfair for a partner to work less than 3 days a week as a vet in the practice. They lose touch with the business and goodwill often deteriorates because it is obvious to clients and staff that they are absent a good part of the week. If one partner wants to work less than 3 days, then it may be better for the practice to sell the share and work as an employee.

Partners need to agree on a formula for working out adequate compensation for partners working fewer hours.

One suggestion is to allocate an hourly salary for all partners – pay that weekly or fortnightly pro rata to each partner for time worked; then have quarterly distributions of surplus profit. Other salary formulas can be based on the income brought to the practice by individual partners. This may be (say) 20% of income generated.



Time spent in management should be compensated separately. A useful figure to remember is that management is generally valued at 3% of the gross practice income - e.g. if a 5 vet practice grosses \$2 million, the value of management could be assessed at \$60,000 per year. This may be used to remunerate a practice manager working (say) 4 days a week for a gross salary of \$40,000 and the balance distributed between partners pro rata.

When planning a staged departure, seek advice from a competent practice assessor who can advise on practice goodwill, equipment values and also provide helpful advice on improving practice operation and value. Naturally when you depart one hopes that you have sufficient funds to retire comfortably, so the earlier you arrange an assessment the better the chance of your maximising the goodwill value before you finally depart.

Believe me, when you retire you won't live more cheaply than you did while working.

You will likely spend more on medical expenses, hobbies, sport, recreation, restaurants, travel and grandchildren or all of these plus a few additional items. ■ Think about it!

THE PERILS OF SOLO PRACTICE



Dr Hugh White MVS_c MACVSc

Many of the practices we visit are owned by solo practitioners who have either bought a one vet practice or have set a practice up from scratch. The reason practices remain one person may vary from one of personal choice to simply being unable to find another vet who can or will work in that area or practice.

Frequently the practice owner wants to sell the practice due to the enormous pressures placed on solo practitioners - long hours, low financial return, lack of professional interaction, inability to attend CPD events, lack of holidays and myriad other issues.

In many cases, the 'Black Dog' has already visited and personal relationships may be in tatters. To make things worse, single vet practices can often be hard to sell as very few vets want to take on the busy lifestyle and associated poor returns.

How can we prevent or overcome this situation?

When many people start or buy a practice, they often do so without the realisation that any business requires a long phase of growth and consolidation before it becomes profitable. Sadly, many vets work themselves into the ground during

the growth phase and then, just as the business is starting to mature, they no longer want to stay to reap the rewards. As practices grow, staffing requirements change, the payroll gets bigger and the management issues larger.

In rapidly growing practices, if the practice owner has been unable to attract an associate or partner the principal just works longer and longer hours in order to satisfy the clients and to get the work done. This rapidly leads to disenchantment and burn-out, which can then affect physical and mental health. There is no easy solution to this problem and it is not confined to rural or semi rural areas.



One way to avoid this situation is to have a business plan in place before you start or purchase a practice.

As solo practices and small specialist practices are the hardest to sell, it is prudent to incorporate measures



to grow and develop the practice in that plan. This should be to at least 2-3 vets as quickly as possible. If this is not feasible due to geographic location, demographics or competition, one should ask if in fact it is worth pursuing that business. An alternative may be to join an existing, successful medium sized practice, in these the vets can enjoy a good lifestyle and all of the benefits normally associated with group practice.

Most vets we meet are warm, extremely hard working and caring people who have high standards of practice.

Sadly, the thing that differentiates those with a secure income and a healthy lifestyle rarely relates to veterinary skills or knowledge. It is more likely to be the things not taught at University.

These are the skills needed to run a successful business which ensures that everyone's needs are met - the patients, the clients, the staff, the owners and their families.

If you find yourself in the situation described above, help is available. Do not think that adopting a "heads down-tail up" approach will solve all problems. All of the ValuVet team have visited large numbers of practices and have seen a wide range of situations, so we are in a unique position to offer solutions, so please do not hesitate to contact us if you need help. ■



A VALUVET SUCCESS STORY

written by Dr Tony Thelander - Director ValuVet

In 2003, ValuVet was asked to value Dr N's 2 vet Mixed animal practice in Northern NSW with the view to bringing in a partner. When we examined the practice in depth, we found that Dr N was a good vet of 15 years standing in the district who worked over 50 hours weekly providing his clients with a reliable veterinary service. Dr N reinvested in his business by attending regular CE courses; he looked after his team and equipped his hospital appropriately.

Despite long hours, good service and the appropriate reinvestment in the practice, we did not feel that Dr N was being well remunerated for his efforts. After capitalising the practice net profit appropriately for the area, we assessed the goodwill value of the practice to be in the range of \$100-\$120,000.

Dr N asked us if ValuVet could give him some ideas in improving his profitability. To that end, we compiled a detailed Practice Assessment report in which we considered all aspects of the practice operations.

These included practice ownership and history, buildings, equipment, service offering, staffing, management, clients & patients, demographics and area development, marketing, revenue generation, competitive pressure, goodwill transferability and financial status.

After performing a detailed analysis, we were able to highlight the overall Strengths, Weaknesses, Opportunities and Threats which currently confronted the practice.

From there we suggested some realistic strategies to capitalise on some of the opportunities in order to increase practice profitability.

Dr N was prepared to put his money where his mouth was and adopt the changes that we recommended.

In 2008 (5 years later), Dr N again called us to revalue the practice with the view of admitting a partner and to upgrade his report. To Dr N's delight the adoption of our suggestions had helped to increase the goodwill value of the practice to a range between \$410 - \$440,000.

This approximate 4 fold increase in 5 years was achieved in the same practice, with the same staff and the same clients – just different results.

Dr N's case is not an isolated one but it does amplify the importance of knowing what your asset is worth and from time to time, having another veterinarian examine your practice to give a fresh insight into how it can be run more profitably. ■

THINKING OF BUYING OR SELLING?

VETS' PRACTICE MARKET PLACE

Wishing to purchase a practice?

Wishing to sell a partnership or a practice?

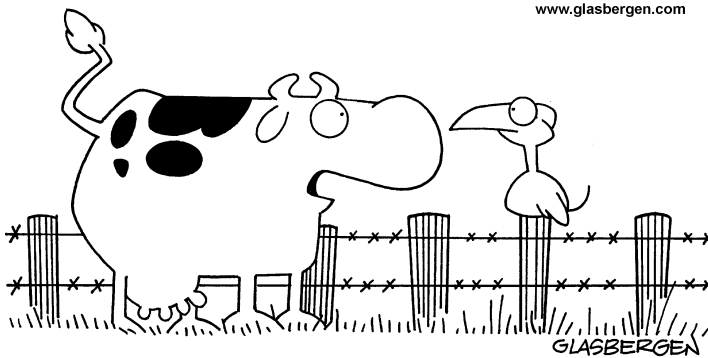
ValuVet may be able to help with contacts, marketing, feasibility analysis or valuations. Confidentiality guaranteed!

Contact us for more information on...

Phone: **0409 478 762** Email: **mail@valuvet.com.au**

or search current listings online at **www.valuvet.com.au**

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www.glasbergen.com



"It's true, I did jump over the moon.
I had waaaaay too much coffee that day!"

WEBSITE NEWSLETTER

ValuVet would like to help the environment and offer our newsletter electronically. If you would like to receive an electronic copy of this newsletter, we would be grateful if you would 'Contact Us' through the website at... **www.valuvet.com.au** and send us your current e-mail address – thank you!



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

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VISITING SCHEDULE

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

JAN	SA & WA	APR	NSW
FEB	QLD & NT	MAY	SA & WA
MAR	VIC & TAS	JUN	QLD & NT

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