Buying a Veterinary Practice:

From Valuation to Exit

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Simmons
Veterinary Practice Sales & Appraisals

Why am I here?

- Veterinary practice business valuator 20+ years
- Veterinary practice business broker 14+ years

Mom to “Edith Piaf”, the Scottish Deerhound

and “Steeped in Luck”, FEI Grand Prix Dressage Stallion – Irish Draught!

An Exploration of -

- Advantages of buying a practice
- Valuation
- Step-by-step acquisition process
- Deal breakers
- Building the right team for acquisition
- Planning for the exit

Advantages of Ownership

Control

- Animal species served
- Type of medicine
- Quality of medicine
- Equipment priorities
- Work schedule

Advantages of Ownership

Financial Rewards

- $ For practicing as a veterinarian
- $ For managing the practice
- $ From profits of the business

  (investment, basis for practice value)
- $ Real estate rental if you own the real estate
- $ Equity – sale of practice down the road

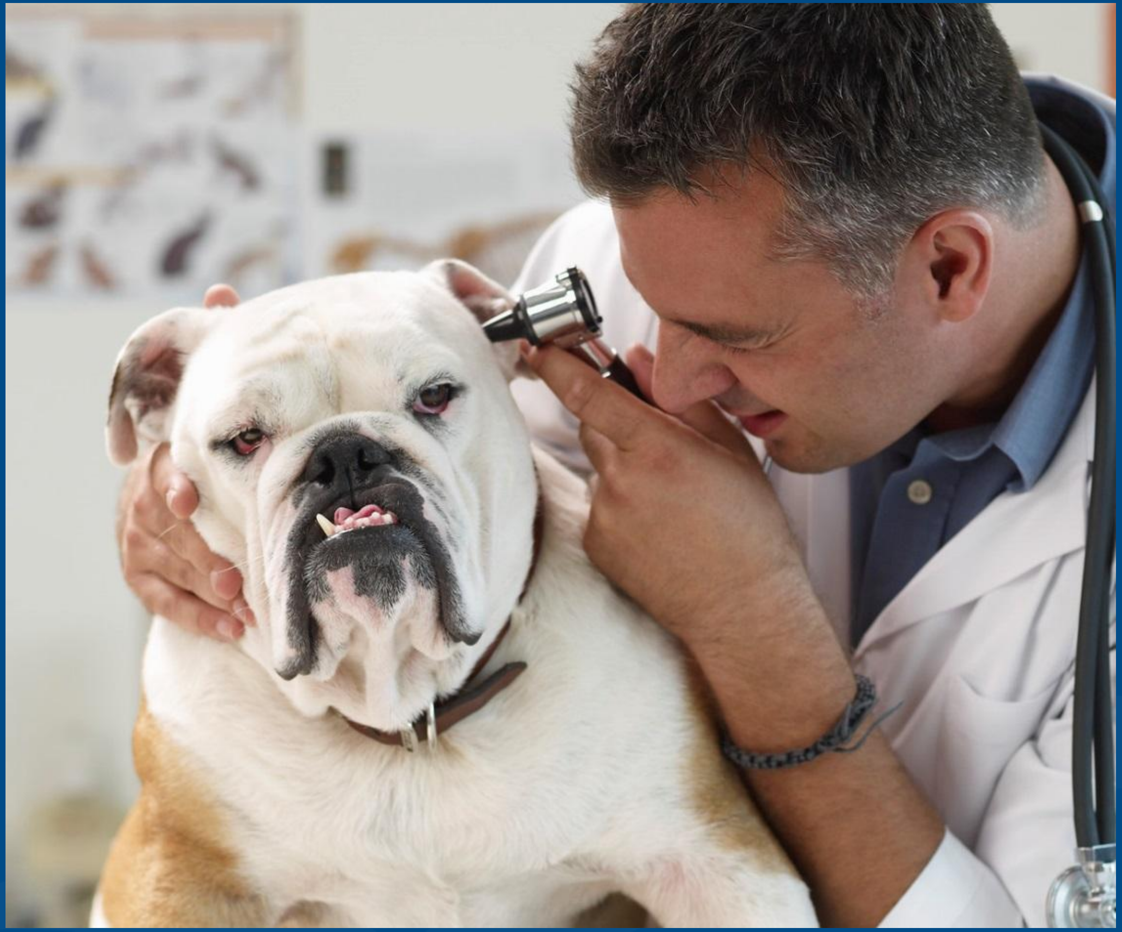
Mini Case: Associate vs. Owner

	Vet A – Associate	Vet B – Owner
Vet salary (clinical)	$130,000	$130,000
Owner/manager pay	_	$25,000
Profit distributions	_	$100,00
Net rent to landlord - you	_	$70,000
Total annual take-home	$130,000	$325,000
Equity at exit	_	$600k - $M+ (range)

Practice Ownership

- Start Up
- Buy in
- Buy out

Steps to Buying a Practice



1. Goals and Objectives
2. Advisory Team
3. Finding a Practice
4. Due Diligence Feasibility
5. Letter of Intent
6. Negotiations
7. Deal Closing

Advisor Team

- Banker/Lender
- Accountant
- Lawyer
- Veterinary Practice Business Valuator/ Broker/Advisor
- Insurance Agent

Finding a Practice

- FSBO
- Business Brokers
- Word of Mouth
- Veterinary Associations

Valuation Essentials

- Methodology
  - Income approach
  - Asset approach
  - Market approach
- VetPartners' Valuation Council
- Chartered Business Valuators Institute
- Practice Standards and Ethics

Valuation Essentials

- Value= Profit and Future Profit
- Profit = EBITDA
- Earnings ***Before*** Interest, Taxes, Depreciation, Amortization
- Multiples

Due Diligence

		% Growth	2%	2%
EASIBILITY MODEL				
		Baseline 2022	1 2023	2 2024
ALC. OF FORECASTED PRACTICE EARNINGS				
1 Practice revenue		638,105	650,867	663,884
2 Forecasted earnings as a % of revenue		10.4%	9.5%	9.5%
3 Forecast adjusted practice earnings		66,080	61,832	63,069
UMMARY OF CASH FLOWS TO THE BUYER				
4 Forecast adjusted practice earnings	A	66,080	61,832	63,069
5 Owner Veterinary Compensation	B	100,000	100,000	103,000
6 Owner Management Compensation	C	7,501	6,509	6,639
7 Facility rent income (base year inflated	D	24,000	24,000	24,720
8 Total pre-tax, pre-debt service CF to buyer			192,341	197,428
ADJ. TO DETERMINE TAXABLE CASH FLOWS [1]				

- Feasibility
- Valuation Errors
- Legal Issues
- Contracts

Letter of Intent

- Price
- Terms
- Employment (seller)
- Non-compete

Negotiations

- Critical part of purchasing a veterinary practice
    - Price
    - Terms
    - Transition Period
    - Asset/Share Sale

Mistakes/Dealbreakers

- Overpaying due to emotional attachment or rushed decisions.
- Ignoring hidden liabilities like lease agreements.
- Failing to involve professionals to review financials or draft agreements.
- Perfect practice.
- Wanting a "deal" vs paying a "fair" price.

Exit Planning

- Plan from day one
- Build value over time
- Plan for the 5 D's (Sale triggering events)
    - Death
    - Disability
    - Divorce,
    - Disagreement
    - Distress

Thank you!

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