



BUYING AND SELLING A VETERINARY PRACTICE



ABOUT ME:

I've bought two clinics in Vancouver (one in 2011 and another in 2014). I sold one in 2016 and the other in 2019. I've also built a clinic which I still own (opened in 2021)



Both of the clinics I purchased were asset purchases. One of the clinics I sold was an asset sale and the other was a share sale.

One of the clinics was in partnership (50:50) and the other I owned 100%.



One of the clinics was purchased with a bank loan and the other was purchased with my own money

One of the purchases had extensive background information and one was a flash sale

One of the purchases was done through an agent and one was done privately

One of the sales was done through an agent and one was done privately

The build.....that's a longer and more complex story!





SO YOU'VE DECIDED TO
PURCHASE/SELL A VETERINARY
CLINIC?!?!



HOW DO YOU START???

-AGENT

-WORD OF MOUTH

-COLD CALLING???

UNPACKING THE CURRENT CLINIC

- **Financial data to support costs and cashflow**
 - EBITDA (earnings before interest, taxes, depreciation and amortization)
- **DVMs and support staff currently present**
 - Retention?
- **Location, reputation, saturation?**
- **Renovations needed?**
- **New equipment needed?**
- **Understanding key financial ratios (eg: Profitability Ratios, Liquidity and Solvency Ratios, Operational Efficiency Benchmarks)**
- **Current Lease?**
 - Demolition clause!



FUNDING

- HOLDCO, OPCO
- SHARES VS ASSETS
- FINANCING
 - BANK, PERSONAL, PRIVATE, PARTNERSHIP, SELLER
- BRIDGE FINANCING
- HOLDBACK

***PARTNERSHIP AGREEMENT EARLY!

BUSINESS MODELS AND PLANS ARE
OFTEN NEEDED FOR THIS

- CVMA REPORTS, LOCAL CITY REPORTS AND CENSUS DATA
- NUMEROUS ONLINE PROGRAMS



A golden retriever is lying on a pebbly beach, looking towards the camera. The dog is light brown with floppy ears. In the background, the ocean waves are visible. The image is partially obscured by a white diagonal line that separates it from the text on the right.

OTHER DEAL CONSIDERATIONS

- Evaluation model used (Factor-Y) x (EBITDA)?
- Partners in ownership and structure.
 - Get a partnership agreement done early
 - Casting votes
- Non-competes (time and space)
- Your own contract (or theirs) to help with transition
- Holdbacks



BUY/SELL/BUILD MANAGEMENT

“MANY OF THE BEST DEALS ARE THE ONES THAT NEVER GET DONE”

This is a peak emotional time for a small business owner (and their family)

We want to treat this as a major asset purchase/sale to avoid emotion and false urgency
camouflaging material vulnerabilities and long-term considerations associated with the deal

Fully price out and cost the deal BEFORE signing off on it

Almost all losses associated the preparation to buy/sell/build part of the deal unrecoverable and wasted financial costs.

1. SWOT (STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS)
2. DO NOT COUNT ON LITIGATION TO SOLVE DEAL DEFAULTS
3. PROJECT MANAGE MAJOR RETROFITS AND BUILD-OUTS
4. FUNDING: CASH IS KING!
5. WELL ORGANIZED FINANCIAL STATEMENTS
6. CONTRACT ENFORCEMENT OF THE DEAL(S)



1. SWOT (STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS)

- Make yours, know it well, and keep it objective
- Your SWOT may likely change over time
- A SWOT analysis helps organizations identify their strengths, weaknesses, opportunities, and threats, enabling informed strategic planning and decision-making.



2. DO NOT COUNT ON LITIGATION TO SOLVE DEAL DEFAULTS

- It is rare that litigation can be cost effective for a small business owner.
- Can you even collect?
- Lawyers can try to dig into past grievances to see if you may be at increased risk of dealing with a “bad apple”.
- Plan, monitor, enforce and repeat.



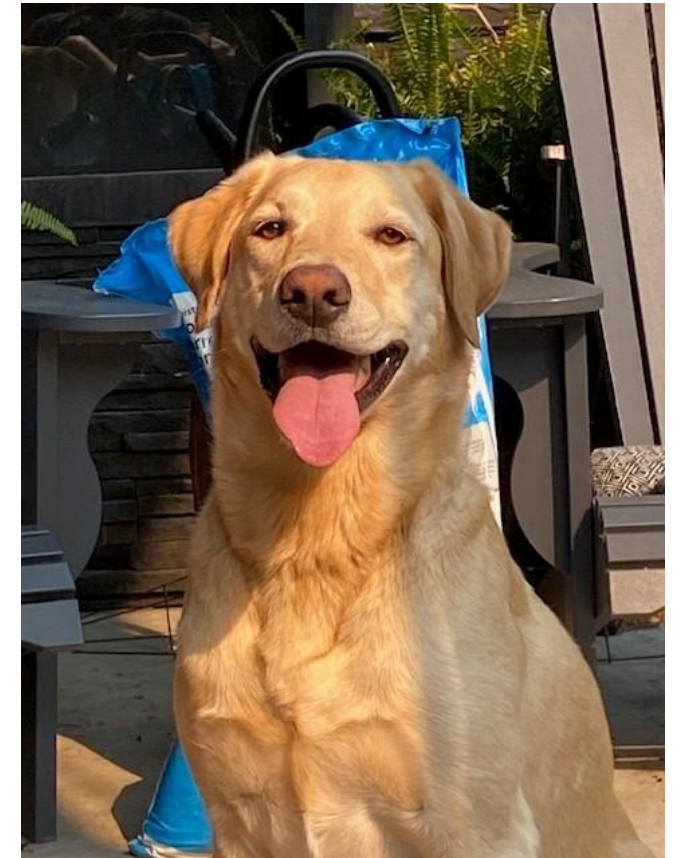
3. PROJECT MANAGE MAJOR RETROFITS AND BUILD-OUTS

- If you don't already have successful experience managing expensive cost and time sensitive projects (e.g., renovation or build-out), source and hire professional help
- DO THIS BEFORE signing off on any related project contracts
- Project managers will assist in a large number of ways



4. FUNDING: CASH IS KING!

- Do all that you can to maintain a personal cash reserve, unencumbered by your lender, this should you need to resolve an unforeseen challenge.
- Personal cash and friends and family financing
- If you initially fear (pre-deal) that financial stress is somewhat likely to occur during the first 3 years, Do Not expect it to be easy to renegotiate with your initial lender, outside allowing for minor adjustments to resources such as lines of credit. They are ultimately responsible to their shareholders – not you.
 - Rebank if needed
- Most clinic deals are less than +\$10,0 are not likely to be considered by private equity investors



5. WELL ORGANIZED FINANCIAL STATEMENTS

- Errors and omissions need to be explained and corrected
- Include concise and detailed assumptions for all key cost and revenue lines
- Valuing a clinic solely based on gross revenue, instead of true cashflow and profitability is a common mistake. Practice value is primarily determined by profit after expenses.



6. CONTRACT ENFORCEMENT OF THE DEAL(S)

- HAVE A CONTRACT (partnerships, lease, sale, purchase, ect)
- Seek experienced expert advice on how to track and enforce deal enforcement short of litigation.
 - hold-backs, seizures and take-backs and arbitration
- On day 1, PROVIDE A method to fund this enforcement activity from either business or owner personal funding.
- DO NOT permit enforcement slippage.





THANK YOU

- It is important to note that the net financial cost of these issues can never be recovered should they materialize.
- There are very few perfectly performing and smooth buy/sell/build deals. The vet, their family, staff and clients all benefit if as many as possible of these costly risks are mitigated in advance rather than "post-deal".