

# **SBCV 2025 FALL CONFERENCE**

## **Building or Buying a Veterinary Practice**

(Friday, November 7, 2025)

### **Presentation Notes – Handouts**

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#### **Slides 3-5:**

I 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 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 cash

One of the purchases had extensive background information and one was a flash sale (not recommended!)

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!*

#### **Slide 7:**

Where do you start these days? Whether you're buying or selling (*I'm going to stay away from building your own as that's been covered*), you need to find out who's selling or who's buying.

Agencies/Agents

Cold calling neighboring clinics

Online groups

Word of mouth

Larger corporate consolidators (if selling).

**Slide 8:**

Whether preparing to buy or preparing the sell, the information you'll want to prepare or have prepared for you to review can be similar.

I've listed a few of the more critical ones up on this list but it is by no means exhaustive and this list is certainly not unique to veterinary world of business.

Financial data to support costs and cashflow - EBITDA (earnings before interest, taxes, depreciation and amortization)

You will need this information to be up to date, accurate, ideally audited and have all errors, omissions and assumptions included for buying or selling. Is the clinic performing better or worse than "standard"? Are there opportunities to expand and grow?

DVMs and support staff currently present – Who will stay and who will go? Is the clinic under or over-staffed? Are staff under or over-paid (*based on financial data and standard metrics*)? What is the culture like?

Location, reputation – Is the area saturated or in need of additional veterinary services? What is the current clinic reputation you'll be selling or buying? Will you need to be damage control right away?

Renovations needed – Will you need funds to renovate anything critical right away or in the near future? What will these cost (*directly and indirectly such as closures*)?

New equipment needed – Similar considerations to renovations

Key Financial Ratios: Understanding key financial ratios (*such as: Profitability Ratios; Liquidity and Solvency Ratios; Operational Efficiency Benchmarks*) is very important and we need to careful not to place all emphasis on the EBITDA multiple alone. It is of equal importance to understand some of the other underlying key financial ratios and their related metrics. They will help a seller to position a healthy clinic, and a buyer to assess overall operating performance before making the acquisition.

If the materiality of these ratios are not already well understood, the buyer and seller should ask their business advisors to clearly explain what each measure indicates and the level of performance that is considered acceptable (*signaling healthy growth*) or not acceptable (*and thus being problematic and needing a solution strategy*).

There are a large variety of ratios in use, but an good advisor should be able to easily recommend which are key in a clinic transaction along with the level of performance that indicates a healthy and growing clinic versus one that may be floundering, stalled or in potential trouble.

Current Lease – Term, cost, increase planned?

- Demolition clause? This can have a material impact on who can fund the clinic for you to purchase the clinic and/or who will purchase it as well as considerations about how much money you will want to invest in it. I had this experience in clinic number 2 but had a partial fallback plan with my first clinic.

## **Slide 9:**

Funding:

How will you structure the purchase to best set up the most advantageous tax breaks, future sale and protect yourself from possible liabilities. I'd strongly suggest discussing the use of Holding companies (HoldCo) and Operating companies (OpCo) with your accountant and lawyer.

- Shares vs assets – Another discussion for the accountant but generally you want to buy assets and you want to sell shares. I will let the expert go further into this in the next segment.

- Financing – Who will finance the purchase? Bank, private equity, family/personal, seller of the clinic. Will you own all of the clinic or a percentage (*see other considerations*). Will you require bridge financing (*can you pay yourself what you need to survive on day 1*)? Is extra money needed for equipment or renovations?

Usually, you will need existing financial reports to support any lending of money. If you are creating a model on your own (*existing financials don't exist or you want to model future growth*), there are numerous software programs what are quite easy to use to assist with this.

- Reference to Sarah's talk but I used: CVMA reports, local city reports (bylaws), census data, VIN and numerous assumptions that were meticulously listed and supported by the above and also previous clinics I've owned.

## **Slide 10:**

As before, this list is not exhaustive but needs to be considered carefully when buying/selling.

Evaluation model used (Factor-Y) x (EBITDA- earnings before interest, taxes, depreciation and amortization) – Obviously the buyer wants a small Y and seller wants a large Y. How will you decide? How many years back do you look? What is the clinic trajectory under current ownership and will the new owner expect the same?

Partners in ownership and structure - Get a partnership agreement done early (before any real spending). At the beginning, everything is rosy but if you can't negotiate a solid partnership agreement when everyone is happy, good luck in getting one done when things aren't sailing smoothly. There is a lot to consider in a partnership agreement and I'd urge you to discuss this with your lawyer but some of the more important ones are:

- Casting votes, shotgun clauses, non-competes (how far and how long), non-solicits, workload sharing and method for determining remuneration, ect...

Your own contract (or theirs) to help with transition – Will you be expected to work for the new owner if you sell? Will you expect them to stay on if they sell? For how long? What happens if they quit? How will they be paid?

Holdbacks – Really just a fancy way of keeping everyone accountable to what they've promised in a contract.

### **Slide 11: Many of the best deals are the ones that never get done!**

It can be hard to get emotional about buying or selling a clinic. It may be that has always been your dream ever since you first decided to become a veterinarian (*to own your very own clinic or hospital to help animals and your community in*) or you've spent most of your life devoted to building up a clinic with amazing and loyal clientele, been an integral part of community and helped countless animals and now you are looking to part with "your child". It's important to acknowledge this but also try to adopt an approach that treats the transaction as a "major asset purchase or sale only". Emotion will still seep in, but this perspective will help to reduce false urgency which can camouflage material vulnerabilities associated with a specific deal and result in key omissions or glossing over of critical long term (*such as +3 year considerations*) that can result in compounded risk and losses.

It is critical to fully cost out the deal before signing off. This includes legal costs, taxes, the cost and timing impact of retrofit / new buildout actions, tech, employee changeover, et.

You need to try and be realistic and not assume the best case for renovation (*time and cost*) as well as underperformance issues that can cause dispute resolution distractions and cost.

Delays can occur but should be minimized with tight project management. You want to avoid them at all costs as they are likely to further trigger delayed revenue and growth along with added and unrecoverable wasted labour and lease costs.

Legal fees, closed doors (*while still paying staff*), Tenancy improvement wastage, reputation, ect.

### **Slide 13: SWOT (Strengths, weaknesses, Opportunities and Threats)**

This is often listed, but not so often objectively done. Make yours, know it well, and keep it objective. It is normal and reasonable that your SWOT will change over time

It should include strategies (*and the related financial plan*)

A SWOT analysis helps organizations identify their strengths, weaknesses, opportunities and threats, enabling informed strategic planning and decision-making.

- By recognizing your business's internal **strengths** (such as unique resources, capabilities or competitive advantages), you can better leverage them for better performance and market positioning.
- It is also important to recognize internal **weaknesses** that may hinder performance so that you can develop strategies to improve or mitigate them, ultimately enhancing your competitiveness.
- Explore and be aware of **opportunities** for growth or improvement. This could include market trends, technological advancements, or changes in consumer behavior that can be capitalized on.
- Anticipate **threats** such as new competitors, regulatory changes or economic downturns. By anticipating these threats, organizations can develop strategies to protect themselves and remain resilient.

#### **Slide 14: Don't expect to count on litigation to solve deal defaults**

It is rare that litigation can be cost effective for a small business owner. Expect sophisticated/ experienced "co-parties" to be aware of this. These include contractors, landlords and sometimes, the other side of the buy/sell/new startup deal.

It can easily cost hundreds of thousands to successfully prepare for and litigate issues and that does not include the duration of time, cost and effort you will have to expend to accommodate the issue pre-settlement. Even if you win, the next question is: Can you even collect? It is unfortunately, not unrealistic that you can spend a large sum of money and end up with nothing more than a moral win!

It's sometimes possible to have lawyers can try to dig into past grievances to see if you may be at increased risk of dealing with a "bad apple" and it may be worth doing a quick search if you have any sense that foul-play is occurring.

#### **Slide 15: 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 numerous ways such as:

- contract negotiation (for enforceability),
- track weekly performance,
- advise you on the most likely risks and practicable mitigation strategies
- ensure no pre-payment of expenses for unfinished work, that any designers (ID, architects and engineers) work for you, not a contractor
- assist in the removal and replacement of underperforming parties before costs and delays can compound and balloon.
- advise you on whether or not an initial project cost estimate is sound
- Allow for a contingency
- actively manage through the project duration – Don't risk being caught unaware by unplanned or poorly estimated costs at the tail end of the project when it will be extraordinarily difficult to mitigate!

#### **Slide 16 - Funding: Banking is the most-likely option and 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! Different commercial lenders seek out varying mixtures of clients and risk cost in their lending portfolios. Some that may have seemed initially less competitive can later become more beneficial after a few years of operation.

Most clinic deals are less than +\$10,0 are not likely to be considered by private equity investors. While private equity can be initially more expensive than bank funding (higher rate and shorter term), it is also far easier to renegotiate and adjust later on should an opportunity or financial problem arise.

#### **Slide 17: Well organized financial statements**

This slide is quite self-explanatory but it is paramount that errors and omissions need to be explained and corrected, all assumptions for all key cost and revenue lines are clearly stated and explained.

This will be needed for all sales and purchases.

### **Slide 18 - Contract Enforcement**

A contract is somewhat useless if it cannot be enforced. I strongly suggest to seek experienced expert advice on how to track and enforce your deal but, ideally in a way that stops short of litigation. May include costs related to hold-backs, seizures and take-backs and arbitration

Unfortunately, deal enforcement may still cost you money and so it is advised that you provide a vehicle (on day 1) to fund this enforcement activity from either business or owner personal funding. On top of this, take-backs are too often really just salvage operations (if you've sold but the deal then goes south).

The best way to try and avoid having "enforce" a deal is to not permit enforcement slippage during the process. Instead, include mechanism(s) in the deal to trigger and enforce professional, orderly and timely action to mitigate slippage.

### **Slide 19: *Thank you!***

I want thank you all for listening to me and I want to make it clear that buying, building and selling clinics all have huge stresses and rewards and I want to share these previous slides, not to paint a negative picture about the process in any way but to share some of the pitfalls I've fallen victim to and want to try and help anyone else, going through the process, avoid.

Each of these steps are costly and the money spent to resolve them is never able to be fully recovered so the best strategy is meticulous planning up front and then rigid tracking and enforcement throughout the process. And if you're feeling over your head, seek professional help early!

***Thank you and thank you again to TD for sponsoring this talk.***