

Table of Contents

ACKNOWLEDGEMENTS /	iii
ABOUT THIS BOOK /	ix
FOREWORD /	x
PREFACE /	xii
INTRODUCTION /	2

PART ONE: BUYING

1	The Psychology of Buying, Owning and Maintaining a Successful Practice /	12
2	Your Good Credit /	14
3	How to Hire Consultants for Advice and Guidance /	16
4	The Veterinary Business Plan /	20
5	Deciding on a Business Entity Structure /	25
6	Preparing for Practice Ownership /	29
7	Hiring Employees /	32
8	Salaries, Benefits, Compensation /	35
9	Financing Options /	39
10	Insurance /	43
11	Tax Considerations /	47
12	Starting a Practice from Scratch /	50
13	The Start-up Practice Budget /	60
14	Buying a Pre-Existing Practice /	63
15	Appraising a Practice /	71

- 16 Real Estate / 75
- 17 The Legal Aspects of Buying a Practice / 78
- 18 Negotiating the Deal / 80
- 19 Marketing, Advertising and Publicity / 88
 - Case Study #1: Buying a Practice / 97*
 - Checklist #1: Starting Your New Practice / 99*
 - Checklist #2: Due Diligence in Buying / 100*
 - Checklist #3: Hazards to Avoid / 101*

PART TWO: SELLING

- 20 The Nuts and Bolts of Selling Your Practice / 103
- 21 Why Should You Sell Your Practice? / 112
- 22 What Makes a Practice Desirable to Prospective Buyers? / 114
- 23 Grooming Your Practice for Sale / 119
- 24 Using a Planned Exit Strategy / 123
- 25 Real Estate / 132
- 26 An Overview of the Sales Process / 136
- 27 Hire Capable Marketing Advisors / 139
- 28 Strategic Analysis of a Practice for Sale / 141
- 29 Valuing a Practice for Sale / 143
- 30 Low-Profit Practices: A Growing Epidemic / 155
- 31 Identifying a Suitable Buyer / 169
- 32 Selling to an Associate or Partner / 173
- 33 What Are Buyers Really Looking For? / 177
- 34 Tax Considerations for the Seller / 179
- 35 Goals of the Seller / 185
- 36 Negotiating Your Best Deal / 186
- 37 Sales Contract Between Buyer and Seller / 187
- 38 The Role of Retirement / 191
- 39 Avoid the Pitfalls: What Not to Do / 193
- 40 A Practice Sale: From Decision to Closing / 198
 - Case Study #2: Selling a Practice / 203*
 - Checklist #4: Your Exit Strategy / 205*

PART THREE: MERGING

- 41 Planning a Successful Merger / 207
- 42 Typical Merger Scenario: Dating, Engagement, Marriage / 210
- 43 When Is the Best Time to Merge a Practice? / 213
- 44 Similarities and Differences to Buying and Selling / 215
- 45 How Is a Practice Merger Helpful to You and Your Practice? / 217
- 46 Preparing a Business for Merging / 219
- 47 The Buy/Sell Agreement / 221
- 48 Beyond the Agreement / 226
- 49 Preparing Your Merger Entrance Strategy: The Devil's in the Details / 228
 - Case Study #3: Merging a Practice* / 231

PART FOUR: SUMMARY

- 50 Summary / 235
- 51 Get Out There and Just Do It! / 238

REFERENCES / 240

ABOUT THE CONTRIBUTORS / 246

ABOUT THE TYPE / 248

ABOUT ADAGIO PRESS LLC / 249

INDEX / 250

Foreword

Despite the economic uncertainty surrounding so much of our economy right now, these remain interesting and promising times for veterinary practice ownership. Whether you are a veterinarian intrigued with the possibility of acquiring your first practice, or a current owner looking forward to an upcoming practice transition, opportunities and challenges abound.

The continuing evolution of veterinary lending products and terms, the ebb and flow of corporate consolidator activity, and the unfortunate reality of no- and low-value practices are just a few of the many factors that have changed the veterinary practice landscape over the last several years. And there certainly will be more changes and challenges ahead.

For many veterinarians who are considering a veterinary practice transition, the process is initially both foreign and overwhelming. In my experience, their concerns include:

For buyers:

- Should I buy into part of a practice, buy my own practice, or start one from scratch?
- How can I be sure that the practice price is fair?
- What are the types and costs of financing available for practice purchases?
- What are the tax and legal consequences of doing such a transaction?

And for sellers:

- Am I undervaluing my practice?
- Should I sell to my associate over time?
- How should I prepare my practice for sale?

- Can I limit the taxes that I will have to pay?
- Should I keep the real estate or sell everything at once?

Your Veterinary Practice: Buying, Selling & Merging, Second Edition is intended to help guide veterinarians and their advisors to the answers to these types of questions. Obviously, every situation is unique and no single text is going to address every possible variation. But this book excels in providing realistic and practical guidance to a whole range of veterinary practice transition considerations in a logical and accessible manner.

For the last several years, I have been lucky enough to assist many clients with veterinary practice transitions. During that time, I have worked with several veterinary practice brokers, including members of the Simmons & Associates network. In my experience, the Simmons & Associates brokers, all of whom have been former practice owners, have had a very good feel for the key practical considerations involved in veterinary practice transitions. And they have now tapped into their collective experience as veterinary practice owners and brokers to create this valuable resource.

Perhaps the greatest contribution of this volume is that it gives buyers and sellers alike a wealth of information, enabling negotiations to take place on the common ground of mutual knowledge. On the rare occasions where I have seen veterinary practice sales or mergers either fail or prove very difficult to achieve, the most common reason was that one of the parties had an unrealistic expectation, usually the result of well-intended, but misguided, advice. Now buyers and sellers will have access to the same in-depth information and guidance and will be able to avoid the pitfalls that have stalled negotiations in other veterinary practice transactions in the past.

I wish you success as you work through the opportunities and challenges of your own practice purchase, sale or merger. While each veterinary practice transition is its own adventure, I am confident that, with the benefit of the experience shared in these pages, you should be well on your way to realizing your dream.

—Henry M. “Trey” Cutler, Esq.
The Cutler Law Firm
Fort Collins, Colorado

Preface

The second edition of *Your Veterinary Practice: Buying, Selling & Merging* provides a newly updated and expanded overview of the topics of veterinary practice sales, purchases and mergers in the veterinary profession. The past four years since the publication of the first edition showed all of us that radical change happens. And it can happen in an instant, especially when you're not expecting it.

We've made every effort to incorporate all of the salient changes in our industry, to bring you the most up-to-date and comprehensive resource on the subject of buying, selling and merging a veterinary practice.

Prior to our first edition, these subjects were largely neglected or found only scattered in various journals or publications. In response to a growing desire for a comprehensive guide on the subject, we were pleased to have produced one that has helped hundreds of veterinarians across the country.

As more professionals read *Your Veterinary Practice: Buying, Selling & Merging*, the age-old myths and falsehoods on these topics, which once ran rampant in our industry, begin to subside and are replaced by good, sound information. Only with the first edition has this important subject matter been dealt with collectively in any detail. Like the first book, this second edition is a reference tool and instructional aid to veterinarians in all stages of their practice-planning lives.

In *Part One*, we look at the barriers, many of which are simply psychological, that prevent or slow down the process of buying or selling a practice. As we further explore ownership transition, we begin with the buying process. Using descriptions of phases and details, we show you how to assemble an advisory team, and provide detailed checklists to smooth the steps to ownership. You may be asking, where do I buy or build my practice?

Where do I get the money? What about little details like insurance needs? We walk you through what is required to successfully research starting your own practice, acknowledge other options such as buy-ins, buy-outs and purchasing pre-existing practices on the open market, and where to locate the obstacles along the way.

All buyers will someday join the sellers. In *Part Two* we discuss all about selling. How do you value a practice? Should you sell the real estate? What are buyers looking for? You will find a specific guide on how to develop an exit strategy, along with simple tips to make your practice more valuable and sell quicker. How taxes, negotiations and contracts fit into the whole process. And what steps, from A to Z, make a practice sale go smoothly. In the second edition, we have added a detailed Cashflow section to *Chapter 29*, plus a new chapter, *Chapter 30*, that deals with the no-profit or low-profit (No-Lo) practice.

Finally, in *Part Three*, we explore a well-honed yet little-used technique in veterinary medicine for business growth: mergers. Although common in many industries, merging has only recently been embraced as an efficient and effective tool to increase professional, financial and personal satisfaction in veterinary practice ownership.

We hope that readers will gain a basic understanding of the principles and nuances of practice ownership transition. Please note, though, that no single book will make the reader an expert. Seemingly simple tasks like determining value, obtaining financing, or finding a qualified buyer can become daunting, at best. Knowing what to do and whom to contact can make a difference in a buyer becoming the owner of a dream practice or a seller throwing his hands up in frustration from a failed sale.

Like the practice of veterinary medicine itself, true expertise in such fields as practice brokerage and valuations requires a great deal of study and years of experience. Practice ownership today is more readily attainable than ever. Armed with new-found knowledge, the backing of family and a team of advisors you can select the very best approach to fit your lifestyle, whether buying, selling or merging.

Introduction

Dreaming of owning your own veterinary practice? Wishing to be your own boss and enjoy the satisfaction of building your own clientele? Or, you're the owner of a practice and are looking for an exit strategy?

In the next 260 pages, we'll walk you through all the steps of making that dream a reality. It's not as difficult as it might seem at first blush, provided you prepare thoroughly and follow some proven guidelines.

There are numerous myths and falsehoods that discourage young veterinarians from acquiring their own practice, and some that make selling a practice seem to be an insurmountable hurdle. As consultants, immersed in the industry on a daily basis, too often we hear many of these comments. Unfortunately for buyers and sellers alike, they can be quite disruptive. Maybe some of these sound familiar:

I have no money for a down payment, so I can't buy a practice.

Zero to 5% down is an achievable arrangement, so not having a down payment is not the biggest hurdle in purchasing a practice.

Banks always want a 20% down payment.

No, they don't. Conventional home loans need 20% down, practice loans often do not.

I have student debt (with good credit) so I can't afford to buy a practice.

A practice pays for itself out of its own profits, so if a buyer has good credit and reasonable experience in practice management, he or she can always afford the practice unless the buyer has really poor finances. For example: