

# SIMMONS

Veterinary Practice Sales & Appraisals



“Excellent experience overall – very helpful with expertise in obtaining lenders, legal advice and many other aspects. I would strongly recommend to others.”

Johan Nieuwoudt, DVM

Since 1977, Simmons & Associates has been a trusted business advisor and broker to thousands of veterinarians buying and selling practices. We specialize exclusively in veterinary practice sales, valuations, and negotiations. Each of our 10 regional offices is led by veterinarians who have first-hand experience as successful practice owners, the latest knowledge of practice valuations and financing, business savvy, and the confidence of a trusted friend. Our business advisors are driven by a passion to help you and our profession.

## your future | our business

Experience is everything in business. Simmons was the first veterinary practice brokerage company in our profession. No individual or firm has helped more veterinarians achieve their dream of ownership or sale.



With our extensive knowledge, buyers and sellers can confidently reach for expert advice with a simple call to any one of Simmons' national offices.

**Let us put our decades of success to work for you.**

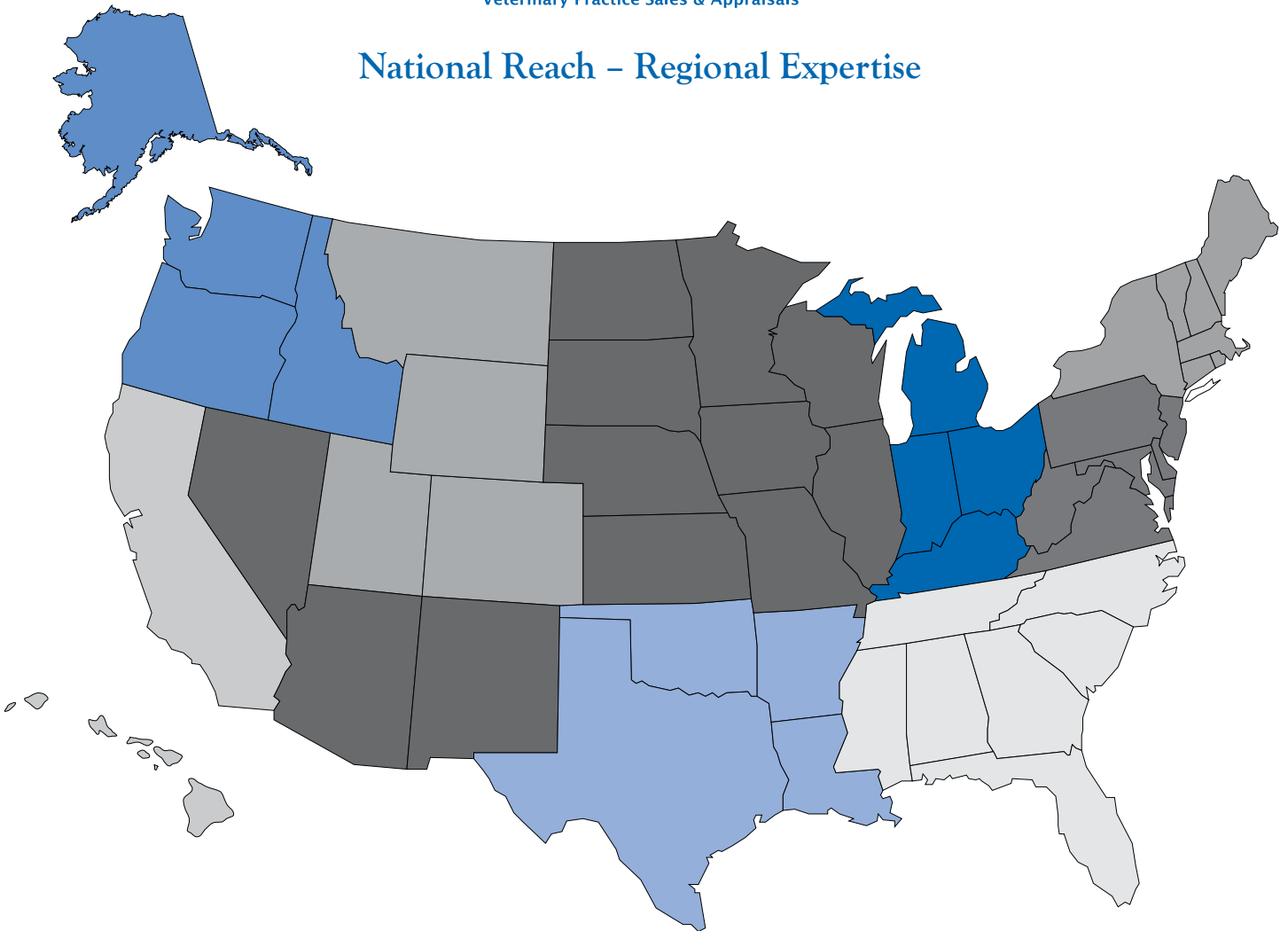


“Your integrity and straight forward approach made us feel comfortable that our best interest was being fully served. Such an important step in one’s career should be made with careful consideration. Each situation is unique, and you had a grasp of all of the issues that were important to both the buyer and seller.”

Wendy Welsh, DVM



### National Reach – Regional Expertise





## Contact Us

Call us today to speak with a Simmons & Associates advisor. We'll answer all of your questions, regardless of how simple or complex. We have an office in your area; so no matter where you're located or what your goals, Simmons can put our expertise to work for you.

### **SIMMONS** Veterinary Practice Sales & Appraisals

#### **Simmons Northeast**

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#### **Simmons Southeast**

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[www.simmonsinc.com](http://www.simmonsinc.com)

You can also visit us on the web for a library of helpful articles, view practices for sale and a listing of events and meetings Simmons advisors will be attending.

# How Practices are Valued and Priced

## How do we value practices?

**As the first and oldest veterinary practice brokerage, Simmons uses progressive practice valuation methods to determine the accurate value of today's practices. We don't follow the method of a percentage of gross income because it doesn't give a true representation of the practice's past and future earnings performance. Instead, we use a more precise income-based approach that determines value by capitalizing earnings.**

Many factors are considered when determining a practice's value. Simmons will examine practice profitability, net cash flow, practice growth, transferability of income to a new owner, client loyalty, geographic location, facility appearance, goodwill, value of tangible assets, quality of employees, and the exiting owner's transition timeline. While numbers largely determine the sale price, Simmons considers many other factors that will ultimately affect the value and price.

As part of our practice valuation process, we determine net cash flow using tax returns and considering adjustments for owner compensation and perks, capital improvements, one-time expenses, and those unrelated to daily practice operation. Next, we determine the practice's value by applying appropriate income methods of valuation to the earnings.

## What affects pricing?

**Before reaching our final opinion of value, we consider the following "sanity" tests:**

- Does the practice's price fit our company's extensive market data and experience based on three decades of practice sales statistics?
- Does the price provide an appropriate personal income for the new owner?
- Does the price allow for a reasonable return on the buyer's investment?
- Are the price and terms such that the buyer will be able to obtain commercial financing?

**As you can see, practice valuation requires insight into our profession, financial expertise, and business know-how. Old rules of thumb, such as practice value equals one times gross, should be retired for more sophisticated and accurate methodology. Simmons uses standards embraced by the appraisal community and contributes to practice valuation methods.**



**"I could not picture this sale occurring without your assistance. In addition, I would have never accurately have assessed our practice value without your expertise."**

Mark Mathusa, DVM





“I never knew how easy it was to buy.”

Michael A. Burke, DVM

“I want to thank you and your associates for some of the most professional, prompt, and courteous service. After dealing with a few other brokerage firms, I was impressed by the presentation package you sent me. The time and effort you put into generating such a comprehensive, organized, and well-presented information packet was very much appreciated.”

David D'Souza, DVM

Simmons & Associates can help you achieve your dream of practice ownership. Becoming a practice owner lets you set the medical quality and level of client service and opens opportunities for financial achievement. Whether you're looking for a companion, equine, mixed, or large animal practice, Simmons can guide you through every step of the buying process, from identifying the practice that's the right fit for you to providing sample closing contracts and relationships with lenders. We take you from the first handshake to the first day you hold the keys to the practice in your hands.

**It is our duty to be fair to both the buyer and seller.**

[www.simmonsinc.com](http://www.simmonsinc.com)

You can also visit us on the web for updated articles about buying a practice.

## Why should you buy a veterinary practice?

There is no greater personal satisfaction than to have a thriving business and know that you were responsible for its success. Besides setting the standards of care and level of client service you desire, the financial benefits of practice ownership can be significant.

Practice owners earn three paychecks; one each for production, management, and ownership. Increased income can give you freedom from educational debt and let you take charge of your financial future, building a business with tremendous equity and net worth. Simmons works with many doctors who consider practice ownership after several years as associate veterinarians, having learned the ropes and now prepared to lead their own practices with a passionate vision.

# Buying a Practice

## What are the steps of the buying process?

Simmons & Associates will lead you through the entire buying process, answering your questions, providing practice valuations, interpreting financial information, handling negotiations and contracts, and introducing you to veterinary-friendly lenders. Financing the purchase of a veterinary practice has never been easier than it is today. If you are well prepared and work with the right lenders, veterinarians can often buy a practice with no money down. Our advisors can help you navigate the financial and ownership maze with unsurpassed expertise. We guide you through these steps when considering a practice listed with us:

**Identify a property-** You can review properties listed on [www.simmonsinc.com](http://www.simmonsinc.com) and note the listing numbers of practices you'd like to consider. Then electronically submit the Confidentiality Agreement to the appropriate regional office. We can also send you this agreement by mail or fax.

**Receive and review practice information-** Study each aspect about the practices that interest you, from location to financial performance, and determine whether a specific practice will meet your needs.

**Schedule an on-site visit-** Simmons will arrange for a personal visit to a practice you are interested in purchasing. You can talk with the owner, drive around the neighborhood, and get a feel for whether this practice is right for you.

**Contact a lender-** We can introduce you to lenders familiar with our veterinary profession. Besides qualifying your credit, the loan application process lets you get additional services from the lender, who can provide an independent opinion of the practice's price, calculate cash flow, and determine if the practice price is workable for you, and conclude whether you'll be able to satisfy the debt and expenses and still take home a satisfactory, comfortable paycheck. Basically, if the practice is not right for you, the lender will not lend the money. When using a lender recommended by Simmons, you may be able to apply for the loan with no upfront costs.

**Obtain financial records-** We will send you tax returns and financial records from the practice for review and help you understand every aspect of how your personal net cash flow is determined and welcome any input from your accountant.

**Make an offer-** Simmons can provide sample contracts and forms for your attorney to review and customize. We can also recommend attorneys with experience in veterinary practice acquisitions.

**Agree on the terms-** Once you and the seller agree on the practice price and terms, you'll sign a legally binding contract.

**Accept financing** After you're approved for a loan, the lender will send you a commitment letter that outlines the loan's interest rate, length, and number and amount of payments. Upon your acceptance of the commitment letter, the lender will process your loan.

**Prepare for closing-** Simmons can provide guidance to help make sure no detail is overlooked as you prepare for closing and make your transition into practice ownership.

**Closing and transition-** Now that you have the keys in hand, Simmons will help with suggestions and checklists to aid in a smooth transition.



# What can we do for buyers?

Simmons & Associates provides practice valuation and market analysis, negotiations, sample sales contracts and letters of intent, expertise as the nation's largest and most experienced brokerage firm, and relationships with leading lenders who understand the veterinary profession.

## As a buyer, you can work with Simmons in the following ways:

### Option A: Buying a practice listed with Simmons

If you want to purchase a practice currently listed with Simmons, we can help. We are under contract with and paid by the seller to sell the practice, and part of that job is to assist the buyer through the entire process.

Buyer services when purchasing a practice listed through Simmons can include (at no cost to the buyer because we represent the seller) but are not limited to:

- Providing practice information and a net cash-flow analysis
- An "Affordability" analysis with your needs in mind
- Assisting you in obtaining financing from a Simmons & Associates preferred lender
- Sample contracts for attorney review and modification
- Attorney, CPA, insurance agents, and lender referrals
- Aid in structuring the transaction (allocations, terms, non-competes, etc.)
- An experienced "sounding-board" for your questions and concerns
- Working with the closing agent to keep everything moving forward
- Providing a closing checklist so details can be addressed
- Assistance with the new owner transition
- Expert advice from negotiations to closing



### Option B: Buying a practice NOT listed with Simmons & Associates (buyer representation)

We can represent you and your best interests when buying a practice by evaluating the transaction and discussing the "Affordability" of a particular practice to determine if it satisfies your specific needs. We will act as the mediator between you and the seller. Representation includes but is not limited to:

- A practice valuation (Fair Market Analysis)
- Practice locator assistance to help you find the right practice for you
- An "Affordability" analysis specific to your needs
- Negotiations between you and the seller and/or his or her advisors
- An experienced "sounding-board" for your questions and concerns
- Assisting you in obtaining financing through referrals to veterinary friendly lenders
- Contract templates for attorney review and modification
- Attorney, CPA, insurance agents, and lender referrals
- Aid in structuring the transaction (price, allocations, terms, non-competes, etc.)
- Expert advice from negotiations to closing
- Working with the closing agent



"Knowledgeable, experienced, and honest. Told me up front what to expect and why. Highly recommend!"

J. Jones, DVM

# Evaluating the practice and seeing if it's the right fit

## Understanding practice profiles

**Our comprehensive practice profiles give you an insider's look at practices for sale. Whether you want to buy a practice across the country or in your hometown, we let you choose from nationwide listings of practices for sale. You can search practice profiles online at [simmonsinc.com](http://simmonsinc.com) or request to receive profiles by mail.**

Our practice profiles include details such as photographs of the facility and equipment, community overview, practice history, financial information, real estate description, and personal income scenario. Simmons can also guide you through the practice profile and explain each of the items in the report.

Once you identify practices that you're interested in learning more about, a Simmons advisor can provide additional information and coordinate an on-site visit for a personal tour and meeting with the current owner. We'll help you through the entire process, from what questions to ask the owner during your visit to negotiating the final sale price and transfer of ownership.

## Is this practice right for you?

There's more to buying a practice than just getting the best price. Simmons wants to ensure a proper fit for both you and the current owner, who has spent years building relationships with staff, clients, and patients and wants to smoothly hand it to a new owner. Ask yourself these questions when evaluating whether you should buy a specific practice:

- What is the practice's medical and management philosophy and does it match mine or can I tweak it?
- Does the practice require solo or multi-doctor services?
- Is the facility and equipment acceptable, or do I want a "fixer upper" practice?
- Is this a community where I want to live long term?
- Is the cash flow sufficient after paying expenses and debt to give me a satisfactory paycheck, or am I willing to grow it to that income level?
- Is this a typical general practice or does it have significant niche areas in special procedures, exotics, holistic medicine, boarding, or grooming?

### Option C: Facilitation, when both the buyer and seller want assistance

As a facilitator, we would assist both you and the owner through the steps of the practice sale with both sharing the cost. Facilitation typically involves associate veterinarians who are buying all or part of the practice from the current owner. The facilitator service includes but is not limited to:

- A practice valuation (Fair Market Analysis) unless the price has already been set
- Negotiating details between the buyer and seller
- Contract templates for attorney review and modification
- Assistance in obtaining financing
- Aid in structuring the transaction (price, allocations, terms, non-competes, etc.)
- Attorney, CPA, and lender referrals
- Expert advice from negotiations to closing
- Working with the closing agent

### Option D: Practice Valuation

A practice valuation gives a Fair Market Value of the practice and includes a detailed report. This valuation can help the buyer determine the price when the owner has not yet set a price, if you want a second opinion on the seller's appraisal, or you want to validate a requested selling price set by the owner. Our clients have commented on the detailed, clear, and precise explanation of our valuation methods. When representing yourself, this is a vital instrument that you can provide to the owner to support your offer.



Simmons advisors have provided me with the insight necessary to be successful in this competitive profession. Their dedication to our profession is unquestioned.”

Richard Swanson, DVM, past president,  
American Veterinary Medical Association

# Understanding the negotiation process

**Having a trusted business advisor from Simmons helps to assure the transaction is a win-win outcome for the buyer and seller. We'll act as a liaison between you and the seller, negotiating terms that are fair to both, so everyone leaves with a handshake and smile.**

With the experience of closing hundreds of practice sales, Simmons & Associates takes you through the final steps of becoming an owner, including creating an "Affordability" analysis, negotiating a fair price and terms between you and the seller, assisting you in obtaining financing from veterinary friendly lenders, providing sample contracts for attorney and accountant review and modification, referrals to other professionals such as attorneys and business insurance agents, structuring the transaction including allocations and non-compete agreements, working with the closing agent, and offering expert advice from negotiations to closing.

## What you need to know about lenders

### Easy financing options

**Buying a veterinary practice has never been easier. Commercial lenders are eager to form lending alliances with our profession because we are considered a low risk category. Commercial lenders can tailor loan packages to meet your needs as a buyer, whether you want to finance 100% of the practice purchase or put money down.**

Buyers are well served by loan terms of variable length and interest rates. Traditionally, there has been a practice loan for 7-10 years and a separate real estate loan for 15-25 years. A common alternative is to combine these two loans, typically for 15-18 years. This "blended" loan offers lower monthly payments but total interest costs can be higher.

Small Business Administration (SBA) loans often can be obtained with more lenient terms and lower interest than conventional loans. Conventional loans typically cost less to originate and require less paperwork. Most lenders



will want an SBA guarantee on the real estate but will finance the practice conventionally. Each type of loan has advantages and disadvantages you will want to consider. The Simmons advisor will assist you in selecting the best loan choice for your personal needs.

Loan approvals are based on the buyer's credit worthiness and work experience, and lenders consider the present and historic practice profitability (net cash flow) and a real estate appraisal if real estate is included in the practice sale. Even if you're a buyer with educational debt and have made timely payments, you can have good credit worthiness and easily qualify for a substantial loan. Great financing opportunities await doctors with good credit histories and the right practice ready to purchase. Let Simmons recommend lenders who understand our profession and your needs as a buyer.

### How to make yourself attractive to lenders

**Simmons & Associates can refer you to lenders that know and understand our profession. Because we work with leading lenders nationwide, Simmons is uniquely positioned to understand today's lending environment. Our strong reputation also has earned respect from lenders.**

Navigating lender paperwork can sometimes bring back stressful memories of final exams in veterinary school. Simmons can assist you in completing lender paperwork in a manner that will optimize your loan approval.

A good credit rating will get you closer to practice ownership. Although you can often finance 100% of the practice purchase, having some money down makes you even more attractive to lenders. You can contribute personal savings or get help from family members. Based on your financial status and the sale price of the practice, we can help you determine the best loan choices for your situation.



**"Thank you for all of your help and support. It finally happened! We are having a lot of fun. Great staff! Good practice! Good clients!"**

Mary Sullivan, DVM