

# 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.**

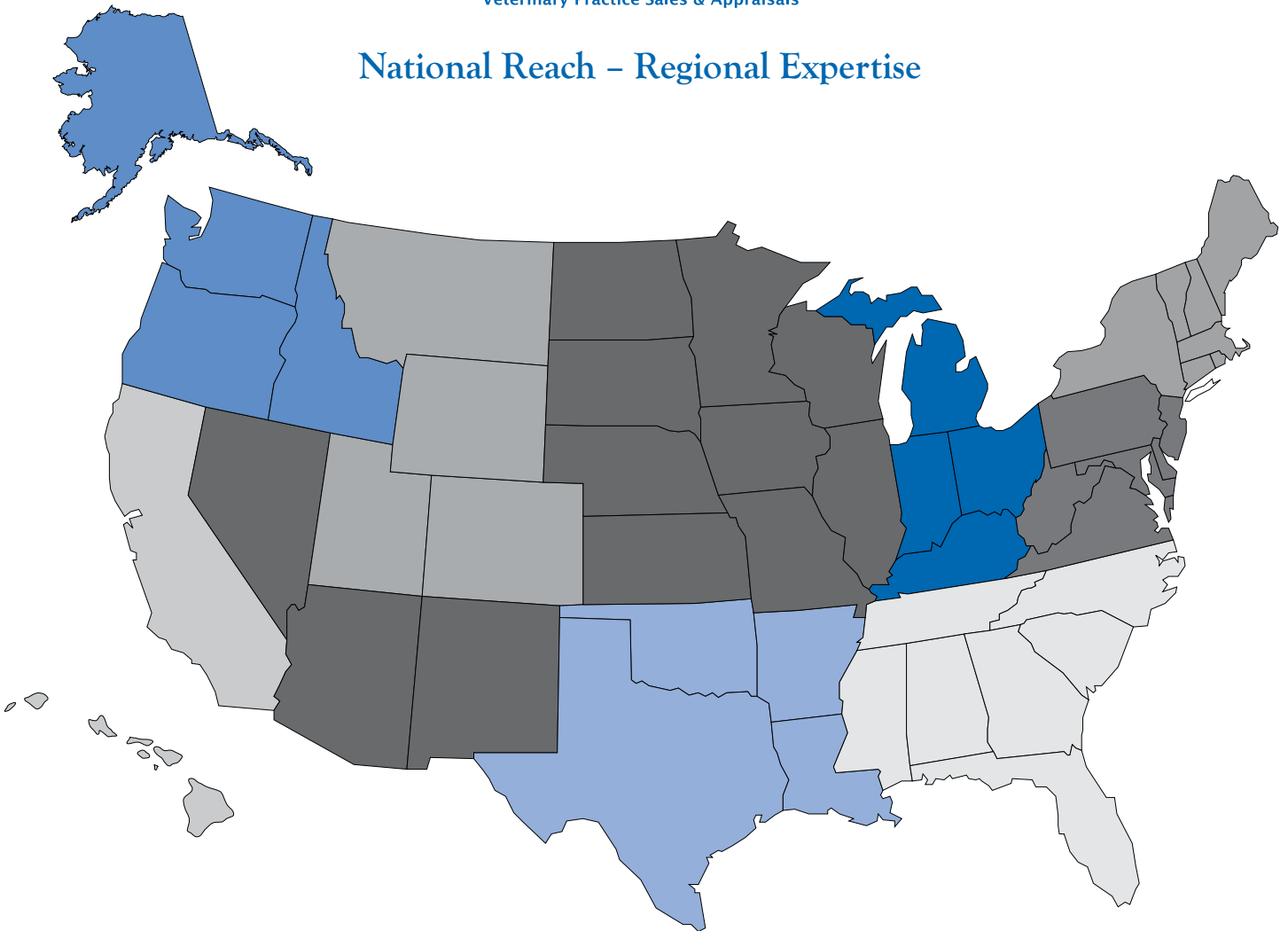


“Your integrity and straight forward approach made us feel comfortable that our best interest was being fully served. Such an important step in one’s career should be made with careful consideration. Each situation is unique, and you had a grasp of all of the issues that were important to both the buyer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

Maine, Vermont, New Hampshire, Connecticut, New York, Massachusetts, and Rhode Island  
P (800) 474-4775 or (207) 655-3908  
Email: [northeast@simmonsinc.com](mailto:northeast@simmonsinc.com)

#### **Simmons Mid-Atlantic**

Pennsylvania, Delaware, Maryland, New Jersey, Virginia, and West Virginia  
P (888) 881-7084 or (814) 466-7084  
Email: [midatlantic@simmonsinc.com](mailto:midatlantic@simmonsinc.com)

#### **Simmons Southeast**

North Carolina, South Carolina, Tennessee, Georgia, Florida, Alabama, and Mississippi  
P (800) 333-1984 or (912) 638-6578  
Email: [southeast@simmonsinc.com](mailto:southeast@simmonsinc.com)

#### **Simmons Great Lakes**

Michigan, Indiana, Ohio, and Kentucky  
P (888) 746-3717 or (574) 583-6383  
Email: [greatlakes@simmonsinc.com](mailto:greatlakes@simmonsinc.com)

#### **Simmons Southcentral**

Arkansas, Louisiana, Oklahoma, and Texas  
P (800) 982-8033 or (972) 486-3993  
Email: [southcentral@simmonsinc.com](mailto:southcentral@simmonsinc.com)

#### **Simmons Midwest**

Wisconsin, Illinois, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas  
P (877) 322-6465 or (417) 443-6465  
Email: [midwest@simmonsinc.com](mailto:midwest@simmonsinc.com)

#### **Simmons Intermountain**

Montana, Wyoming, Colorado, and Utah  
P (800) 982-8033  
Email: [intermountain@simmonsinc.com](mailto:intermountain@simmonsinc.com)

#### **Simmons Northwest**

Idaho, Washington, Oregon, and Alaska  
P (800) 846-0062 or (208) 664-3100  
Email: [northwest@simmonsinc.com](mailto:northwest@simmonsinc.com)

#### **Simmons Southwest**

New Mexico, Arizona, and Nevada  
P (877) 315-1954 or (209) 845-2088  
Email: [southwest@simmonsinc.com](mailto:southwest@simmonsinc.com)

#### **Simmons Pacific**

California and Hawaii  
P (877) 315-1954 or (209) 845-2088  
Email: [pacific@simmonsinc.com](mailto:pacific@simmonsinc.com)

[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:**

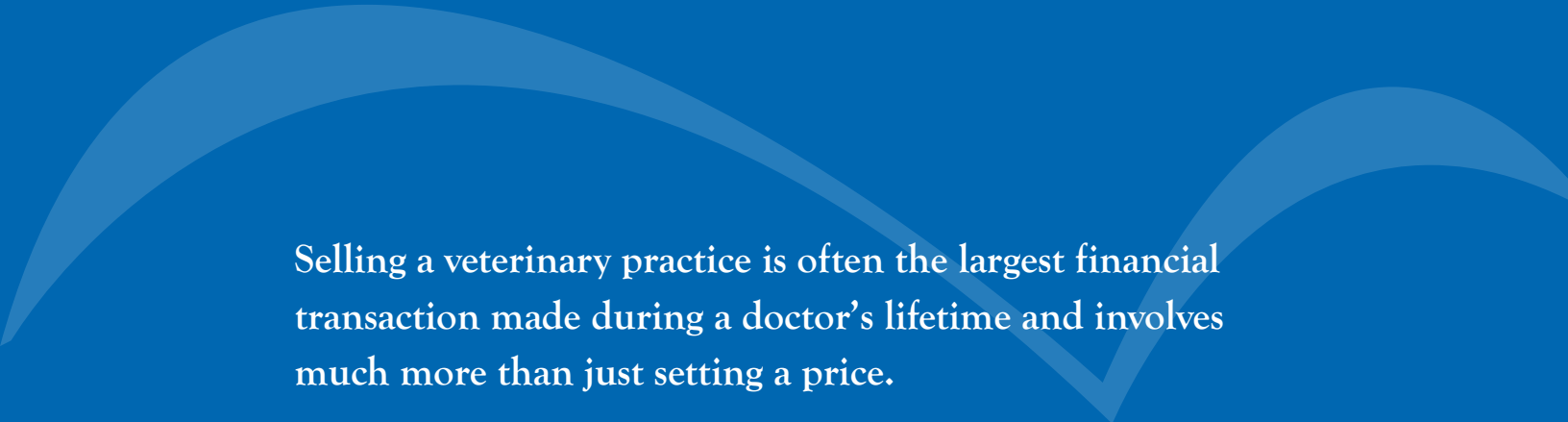
- Does the practice's price fit our company's extensive market data and experience based on three decades of practice sales statistics?
- Does the price provide an appropriate personal income for the new owner?
- Does the price allow for a reasonable return on the buyer's investment?
- Are the price 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

The background features two large, overlapping, light blue wavy lines that create a sense of movement and depth. The lines are smooth and fluid, with the top line curving upwards and the bottom line curving downwards, meeting in the center.

Selling a veterinary practice is often the largest financial transaction made during a doctor's lifetime and involves much more than just setting a price.



“From the very beginning of the practice analysis to the closing, Simmons was always available to guide me through the sale of my practice. They targeted many potential buyers, contacting them by mail, e-mail, and phone, and through journal ads and flyers. I was kept informed at all times of who had been contacted and what information had been released. The process was as user friendly as any such major financial transaction could possibly be.”

Sandra C. Kudrak, DVM, Diplomate ABVP

Simmons & Associates can help take you through all of the steps of selling your practice, from a valuation to closing negotiations. We have sold more veterinary practices than any company or individual in the world. We use the latest valuation methods, coupled with a proprietary market comparable method, which uses actual sales and valuation statistics that we've collected for three decades. Our marketing methods get results for sellers because we use multiple approaches, including an active national buyer database, national and regional journal advertisements, Simmons' website posting, mailings to prospective buyers, and networking with colleagues.

Whether you're selling a companion, equine, mixed, or large animal practice, Simmons can guide you through every step of the selling process, from setting the right price to finding financing for an interested buyer. We take you from the first handshake with a potential buyer to the day you hold the closing check in your hand.

Selling a practice is a significant business decision that affects your future income and retirement. That's why you need Simmons' expertise.

## Preparing your practice for sale, exit strategies

### How do I get ready to sell my practice?

Once you decide to sell your practice, you can work with your Simmons' advisor to develop an exit strategy that will encourage a smooth sale and potentially mean a higher selling price. Planning three to five years ahead for a sale will help you maximize practice value and minimize the emotions of walking away from the practice you've spent a career building.

### Your future depends on a successful practice sale.

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

You can also visit us on the web for updated articles about selling your practice.

# Selling your Practice Here's a checklist to prepare your practice for sale:

**Practice valuation**—A valuation sets a baseline of your practice value and can illuminate areas that need attention. With advanced planning, you can make adjustments over time that will boost the practice's total value.

**Exit strategy**—If the value of your practice does not meet your expectations, you may want to consider a formal, written Exit Strategy Report. We'll gather information to suggest improvements and enhance the value and salability of your practice when the time is right to sell. We present our opinions and possible solutions in a written report. With each new tax return, we'll prepare an updated report and have conference calls to track progress. Exit strategy planning will fully prepare you to sell your practice.

**Marketing plan**—You want to improve your practice's image to attract more and better clients, ultimately improving the bottom line. It's the perfect time to brand your business by updating your brochure, logo, client handouts, business cards, website, and every item with your practice name. Your sharp public face also will catch the eye of interested buyers.

**Estate plan**—If you're selling your practice and retiring, you need to make sure that your practice sale meets your income needs. Changes may need to be implemented now to get maximum benefit from the large influx of cash after the sale.

**Staff training and morale**—A sharp support staff is a valuable business asset. Well-trained paraprofessionals who enjoy working at your practice will be a huge selling point to the buyer. We also can advise you on when and how to tell your staff that you're selling the practice.

**Non-compete agreements with key personnel**—This is an absolute must when selling a practice. When a buyer invests large sums of money in a practice, he or she wants assurance that associate veterinarians, and possibly even managers and key employees, will not open a competing practice. An attorney can draft enforceable agreements (assuming that they are legal in your state) that also are transferable to the new owner.

**Environmental and zoning concerns**—If you own your real estate, make sure there are no environmental red flags such as buried tanks or contaminated soil. Check for non-conforming zoning before listing your practice. Failure to do so can prove costly.

**Fee increases**—Timely fee adjustment is a good business practice that maintains cash flow. Clients seldom notice small, regular fee increases, and the average charge per transaction can raise your practice's income substantially.

**Expense control**—For every \$1 in expense reduction, the earnings will increase by \$1 and your practice value will go up by \$3 to \$6. Watch your inventory turns, capital expenditures, and even personal expenses paid through the business. Clean up your books to support your asking price and show there is nothing to hide. Give equal attention to reducing your accounts receivable, which can raise questions about the quality of your clientele.

**Leases**—If you lease your facility, confirm that your lease is transferable and that you can be released from the lease once the practice is sold. Also check leases on equipment as well as notes owed. Some notes have "due on sale" clauses that require pay-off at closing.

**Equipment upgrades and repairs**—Complete minor repair or replacement of equipment as if you were going to remain the owner of the practice. Avoid buying expensive or non-productive equipment just before a sale because the practice won't increase in value by the amount spent on new equipment. Practices are priced based on the income generated from services using the present equipment.

**Facility spruce up**—A thorough cleaning, fresh coat of paint inside and out, and minor repairs can showcase your practice as move-in ready to a potential buyer. Curb appeal can confirm the buyer's decision to purchase and leave fewer imperfections to haggle over before closing.

**Assemble your professional team**—Your Simmons' advisor can work closely with your accountant and attorney. We can aid other advisors so your best interests are maintained. Good advisors will earn their fees by saving or making money for their clients as well as minimizing their clients' risks.



# What can we do for sellers?

Simmons & Associates can handle your practice sale from start to finish or provide expertise for a specific service. We offer full representation, practice valuation, facilitation, negotiations, and sample sales contracts and letters of intent. When selling your practice, you'll want the expertise of the nation's largest and most experienced brokerage firm, Simmons & Associates.

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

### Option A : Full listing and representation with Simmons

When you list your practice with us, we will represent you and your best interests. We will weed out "window shoppers," dealing with only serious buyers and their advisors such as an accountant and/or attorney. This frees you up to continue practicing medicine without business interruption. Listing your practice includes but is not limited to:

- A practice valuation (fair market analysis)
- All costs related to marketing the practice locally, regionally, and nationally
- Access to Simmons' national database of buyers
- Negotiations between you and the buyer and/or their advisors
- Assisting the buyer in obtaining financing from a Simmons' preferred lender
- Sample contract for attorney review and modification
- Aid in structuring the transaction (allocations, terms, non-competes, etc.)
- Working with the closing agent to keep everything moving forward
- Expert advice from listing to closing

### Option B : Facilitation when you're selling to an associate veterinarian or other known buyer

As a facilitator, we would assist both you and your colleague through the steps of the practice sale with both sharing the cost. We would handle all of the details through closing. Having an outside expert facilitate your sale can help you ease the transition with employees and vendors, resolve concerns that may arise during negotiations, and ensure a collegial relationship between the buyer and seller after the sale because we want both parties to leave the closing table with positive feelings toward each other.

Our facilitator service includes but is not limited to:

- A practice valuation (fair market analysis) unless the price is already set
- Negotiating all details between the seller and buyer
- Sample contract for attorney review and modification
- Assistance in obtaining financing for the buyer
- Aid in structuring the transaction (allocations, terms, non-competes, etc.)
- Attorney, accountant, insurance agents, and lender referrals
- Expert advice from negotiations to closing
- Working with the closing agent to keep everything moving forward

### Option C : Written practice valuation

A written valuation is a formal document that describes how and why we arrived at your practice's value. The report details each part of our analysis. Our clients often comment on the detailed, clear, and precise explanation of our methodology and thought process. When representing yourself, this is a vital instrument that you can provide to the buyer and his or her advisors to support your asking price. You will complete a practice information form and provide financial statements. Your Simmons' advisor also will talk with you to gather and confirm accurate details. A written practice valuation can be completed quickly once your complete practice information has been submitted.



“Simmons implemented a nationwide advertising campaign and personally responded to all inquiries. This allowed me to continue practicing veterinary medicine and operating my business with minimal interruption. My practice sold within a few months and Simmons & Associates handled all closing details in a timely and efficient manner.”

Larry A. Eld, DVM

# How will you market my practice?

Once a professional valuator establishes your practice's fair market value, your practice is ready to sell. Simmons will prepare a detailed profile of your practice to share with qualified buyers who have signed a confidentiality agreement. The practice profile summaries key business areas such as:

- Practice history
- Reasons for selling
- Facility and real estate description
- Summary of medical services
- Competitive overview
- Staff summary by position, length of service, and salary
- Productivity indicators such as average charge per transaction, average number of transactions per day, and gross daily income
- Equipment list
- Financial snapshot, including recent gross income, cash flow analysis, and earnings analysis
- Practice and real estate price
- Potential buyer's after-debt scenarios
- Snapshot of practice opportunities and potential growth areas for the new owner
- Pictures of the exterior and interior of the practice
- Maps to show practice location
- Demographics on population and economic growth, business climate, and area attractions



## Our national marketing efforts

Our services include developing a tailored marketing plan to sell your practice. Once we list your practice, we will notify our database of buyers. A sale could be made from this source even before your practice appears on the open market. Simmons also advertises in national journals and state association newsletters. Your practice listing will appear on [www.simmonsinc.com](http://www.simmonsinc.com), where buyers also can find helpful articles on the buying process and complete a confidentiality agreement and application to receive more information. Simmons can send regional mailings to veterinarians who may be interested in buying your practice. During all marketing, your practice name and location is not released until the buyer signs a confidentiality/non-disclosure statement, protecting you from "window shoppers."

As part of the selling process, Simmons can work with our preferred network of lenders to get your practice pre-approved for financing. This speeds the closing process and reassures qualified buyers who are ready to make a decision. When a serious buyer is ready to begin negotiations or involve his or her accountant or attorney, Simmons can provide tax returns, cash flow and earnings' analysis, and additional information that may be requested.



"Simmons addressed our concerns and made us feel very comfortable during the entire process. You never failed to answer any question—no matter how small—and always responded to our many calls promptly. We feel fortunate with the outcome of the sale and owe a lot to you."

John Fawcett, DVM

# Understanding the negotiation process.

**Selling your veterinary practice will likely be the single most important financial transaction of your career, and you need a trusted advisor on your side. The skill and expertise of Simmons can help you set a fair price, advertise your practice, screen all inquires, locate a buyer, help with financing, and bring the deal to a close. Your Simmons' advisor puts your interests above all else, focusing on the details and timeline to sell your practice so you can keep practicing veterinary medicine until the sale is final.**

Because Simmons' brokers also have been successful practice owners, they can offer first-hand advice to guide the seller and buyer through the entire process. Many buyers are first-time owners and will require assistance, patience, and understanding. We can hold the buyer's hand through the entire transaction, including negotiations and financing. Your Simmons' advisor will play a significant role from the start, demonstrating your practice's historical and projected economic picture to the buyer. We'll help prepare the offer, negotiate terms, and even collaborate with your attorney. Once the buyer signs the contract, we coordinate the entire transaction, including financing, resolving contract contingencies, and handing the keys to the new owner and the closing check to you. Although the buyer knows that we represent the seller, we gain the buyer's confidence by understanding his or her needs and clearly explaining the economic capabilities of your practice. We strive to structure the terms and price so it's fair to both sides. For this reason, we take pride in creating a win-win transaction for both the buyer and seller.



**“Your diligence to detail and negotiating skills helped close a complicated sale. Even my attorney remarked at your ability to navigate the tangled web of banks, attorneys, owners, lien holders, accountants, the buyer, and my own emotions.”**

Marc Cohen, DVM

## Ready to put on the finishing touches?

**First impressions are important in selling any practice. If your practice could use some sprucing up, where should you start? First, concentrate on the reception area and exam rooms because clients judge you on these public areas. If these areas are clean, bright, and inviting, you'll attract and keep both clients and potential buyers.**

Styles in office décor change, and some practices still have dark wooden paneling that was popular decades ago. Paint it to give your practice a modern, updated look. Like it or not, looks count. Don't spend a fortune tearing down walls and implementing a major facelift. Work with what

you have. A fresh coat of paint and colorful artwork with animal themes can add vibrant life to your practice image. Make sure chairs, cushions, and office furniture aren't worn out or patched. Clients as well as potential buyers will assume the rest of the hospital is in the same tattered shape. Worn linoleum with a hole is such a part of your daily environment that you hardly see it anymore. There are many new ways to patch floors, even disguising the patch as a deliberate design. Ask a friend to walk through your hospital and point out needed repairs and improvements. You might be surprised at what they see that you don't.

Finally, don't start a huge renovation or invest in dramatic changes. Your taste may not be the same as the new owner's. Some buyers factor in a complete remodel in their expenses, while others watch every penny and change nothing at all. Let your Simmons' advisor give you an honest opinion.



**“Simmons followed up on every one of their promises, marketing the practice in a professional manner, getting a fair price, and finding a buyer that was a good fit. The right buyer was especially important to my father and me because two employees have been with us more than 15 years. We wanted to ensure they could still have jobs with the new owner. Simmons met all of these promises with professionalism, care, and respect for all involved.”**

Jon R. Pennell, DVM

# 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