

# Simmons Educational Fund 2022

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## National Case Study



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Class of 2023

**Central Animal Hospital**

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# Evaluation of Foundation Animal Hospital Before Purchase

Before purchase, I will analyze the balance of cost versus value that currently exists at Foundation Animal Hospital (FAH). We are assuming that the current staff and owner refer clients occasionally to alternative resources for less expensive products such as preventatives and diets. This can be confirmed by an evaluation of financial statements and a compliance audit. I would confirm the presence of a preferred pathway to health (PPH), i.e. the type of uniform medicine that is practiced by all employees. If a PPH is not defined and in use, one should be developed by the staff and owner and then shared broadly across the team. The absence of high compliance and PPH will reduce the value and therefore the purchase price of the clinic. Preventative healthcare is about helping pets live into joyful longevity while preventing clients from incurring higher costs associated with the development of severe and potentially fatal diseases. Extensive focus group-based survey research has shown that clients want their pets to be happy, healthy, pain-free, and live as long as possible. A robust preferred pathway to health that ensures a focused effort on delivering best care as often as possible is a non-negotiable in the operation of a successful healthcare business and we are assuming that the current practice's preferred pathway to health is mediocre at best for a conservative evaluation. The lack of a PPH will result in reduced levels of compliance and healthcare, ultimately manifesting itself in the practice's financial statements. The concept of a preferred pathway to health will be addressed later in the business proposal.



# Client Perception, Staff Perception and Communication



Veterinary care is a service business and like all service businesses, relies on clients' perceptions of its value and service to maintain client patronage. I would explore client perceptions of the current hospital as it currently operates. We assume their perceptions are positive and appropriate based off prior knowledge and presumably revenue growth, year on year. Team member perceptions would also be important. As a more poignant predictor of future success, I would be interested in conducting an engagement survey of the healthcare team as pioneered by Gallup. This would reveal considerable insights as to the mindset of the current employees and their perceptions of the current hospital work environment. This will provide perception regarding the healthcare team's morale and inform my presumptions of the needs of the team going forward. It is safe to assume that some training and education around the value of medicine will be necessary when I go through with the purchase of this practice. Paired with client perception, I want to gain some insights as to the status of the practice's client relationship management programs. This will be essential for maintaining the goodwill I am purchasing with

the practice and likelihood of the current clients returning to seek service. We assume that many of the current clients have formed positive bonds with the established veterinarians and healthcare team and will continue to seek services at the practice. A deep seated commitment within the staff psyche to delivering a positive client experience is necessary for future growth of the practice. Central to the success of any client engagement and service effort will be quality communications, be they written, text, or verbal. Communication evaluation of the healthcare team with clients and each other could be an additional predictor of current and future success. I would see if current staff employs fundamentally strong communication techniques including the use of open-ended questions, reflective listening, signposting, and PEARLS: partnership, emotion, acknowledgement, respect, legitimization, and support. Using these types of statements will improve relationships with clients in a wide variety of situations. We are hopeful that the current staff uses these statements to variable degrees of competence but may need additional training after the practice changes ownership.

# Systems and Training

The difference between the average practice and a great practice starts with a strong belief in the value of the medical care they provide and a visceral commitment to ensure that every client has the opportunity to accept or decline that care for their beloved pet. Essential to consistently delivering outstanding service and excellent medical care is the presence of broadly accepted systems that promote productivity and provide a framework that will benefit the staff and clients alike. Systems are implemented to ensure that no aspect of care is overlooked and mistakes are kept to a minimum. The establishment of strong, reliable systems provides consistency, uniformity and excellent care quality for the practice as well as increased efficiency and optimized time management for the team. We believe there has been limited development and implementation of systems by Foundation Animal Hospital as it currently operates. With proper guidance from third party resources, I will guide Foundation Animal Hospital (FAH) in developing systems that will support our future efforts to provide outstanding care.

**Training:** A healthcare team supported by good systems and a positive culture sets the tone for the quality of care in your practice, as those team members are the first faces your clients see. A preferred pathway to health (PPH) defines the shared view of best medical and preventative care for a first opinion visit of the most common clinical scenarios faced by the healthcare team. This helps to increase overall efficiency of the team, the consistency of the care and the promotion of client compliance. Upon implementation of a PPH, the team will be coached on the medical value of each product and procedure we offer to support the owner's desire to secure pain free longevity for their pet. We believe the training/onboarding processes for each new team member has not been consistent across the board and that there is a need to implement a standard on-boarding and mentoring program, supported by training materials, role modeling and role-playing.



We live in an age where pets are family. Developing a Fear Free Culture will help reassure owners that we care about their pets to the utmost degree. The client experience shapes the client's view of the healthcare team and impacts their willingness to continue to seek care from that practice<sup>1</sup>. We are hopeful that FAH, may be fear free accredited but are concerned that it probably falls short in the application of fear free methodology in their daily care of patients.

Team member development is a key component not only in the growth of team members as individuals, but the quality of medicine delivered. It will be important to understand what if any CE has been offered to team members. Assessment of the previous years expenditures shows that little to no investment has been made in CE for team members. I will require a minimum of 10 hours per year of RACE approved CE for each and every team member. Providing a CE allowance with designated PTO is key to supporting team members in their desire to grow, gain skills and educate themselves on topics that interest them. Any investment one makes in the capacity and skills of their team always provides value to the practice and helps to ensure that team members

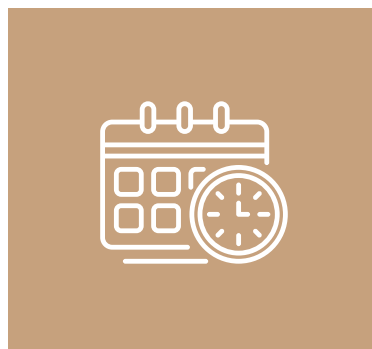
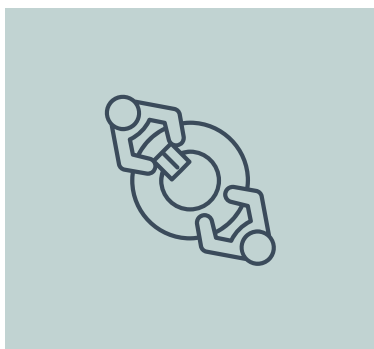
are up to date on the latest clinical information.

We assume FAH has a limited degree of team development with one LVT that assumes most and if not all CE of the non-DVM staff.

Proper systems increase healthcare team efficiency, average client transactions, improve client compliance and ensure that each client has the opportunity to choose the very best care for their pet.

I will assess where needed and implement systems to develop an ideal workflow throughout the entire practice. Given that I will have five years of experience when I look for a practice to purchase, I understand well the importants of a smooth, consistent workflow and how that ensures that each client and patient consistently receive high quality care in an efficient and effective manner. I will address this in detail within my business proposal.

The Foundation Animal Hospital of the future will have developed a culture and an operational paradigm focused on Value vs Price. We will have evolved veterinary care to a level that makes a client's visit into an experience, not an errand.





# Financial Assessments

To assess the financial health of Foundation Animal Hospital (FAH), I used several veterinary specific, industry benchmarks from large reference populations to support a comparative evaluation. The point of this evaluation is to:

1) Identify deviations from generally accepted metrics and parameters associated with a composite assessment of healthy veterinary businesses and -

2) To understand why those deviations have occurred. These practices are a part of the profession but often have different operating standards, accounting practices, client demographics and range in size/scale. Thus, the benchmarks should be used as guidelines rather than absolute rules. I used the Well-Managed Practice Benchmarks published by the editors of Veterinary Economics, Simmons Key Performance Indicators and AAHA Benchmarks. Through these resources I can calculate net revenue, average client transaction, fee comparisons and compliance for particular categories as follows. Given the limited data received from Foundation Animal Hospital, some of the categories could not be calculated but will be evaluated thoroughly upon purchase.



## Profitability Calculation

I used the Vet Partner's No-Lo Threat Advisory Worksheet - from 2018 and modeled FAH current financial data into that form in order to calculate current profitability of FAH. Although this calculator will not necessarily help me in determining my purchase price, it will provide me with insight into the areas of FAH's financial operations that require attention/improvement to achieve optimal profitability. The results of this modeling analysis shows that FAH is at a profitability of about 9.0%. Below 8% is considered a No-Lo practice, a practice that has low or no profitability. With the average veterinary clinic being between 14%-20% profitability in the current market, this analysis suggests that there are probably multiple areas within the current practice that need focused attention and improvement.<sup>2</sup>

**9.0%**

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of about

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### Cost of Professional Services

According to Simmons Key Performance Indicators, Cost of Professional Services (COPS) as a percentage of revenue is one of the most underutilized key performance indicators.<sup>3</sup> This is typically the largest group of expenses for a practice. The goal is for this indicator to be between 22% and 25% of gross revenue. In 2021, the Cost of Professional Services for FAH was a staggering 33.86%. In 2020, the COPS was 19.91% and 2019 35.86%. In two of the past three years, the COPS values were considerably above the upper limit of acceptability. Ideally, COPS would be kept below 23% of gross revenue. Low COPS values are possible and a COPS value of 20% would be outstanding. Wellness practices that sell a considerable amount of food, preventatives and vaccines might reasonably be expected to have a slightly higher COPS because of the volume of vaccines, preventatives and diets that would be sold. In a healthy practice, a COPS of 21-23% would be reflective of adequate inventory management, strictly limited discounting, good systems for revenue capture and appropriate markup on goods sold. Income to expense ratios were performed in the areas possible to determine where our problems lie within the COPS. In 2021, the I/E ratio for laboratory costs is 3.1 (reference is 3.5-5.0). Diets I/E ratio was around 4.0 which is far above our industry standards (reference is 1.5).<sup>3</sup>

Moving forward with FAH both laboratory and diet, costs and prices will be reviewed, the current order procedures, electronic tracking, mark-ups and inventory controls adjusted in order to get these values closer to our reference range and in turn, lower the COPS. See Figure 1, Revenue Breakdown for benchmark comparisons and income/expense calculations.

The charts below depict categories of expenditures but with each as a percentage of overall revenue. This assessment allows me to evaluate how FAH compares to industry benchmarks. The second chart allows me to evaluate the trends in finances from FAH. The trends do not follow an expected increase year after year, but instead are filled with variation. We can also see the COPS and total payroll without owner compensation are above the ideal industry benchmarks, eluding to issues with a PPH and management of inventory. FAH's EBITDA is quite variable and also below industry benchmarks, showing there are multiple leaks in the hospital that need to be focused on in order to bring the profitability up.

Financials vs Benchmarks (%)

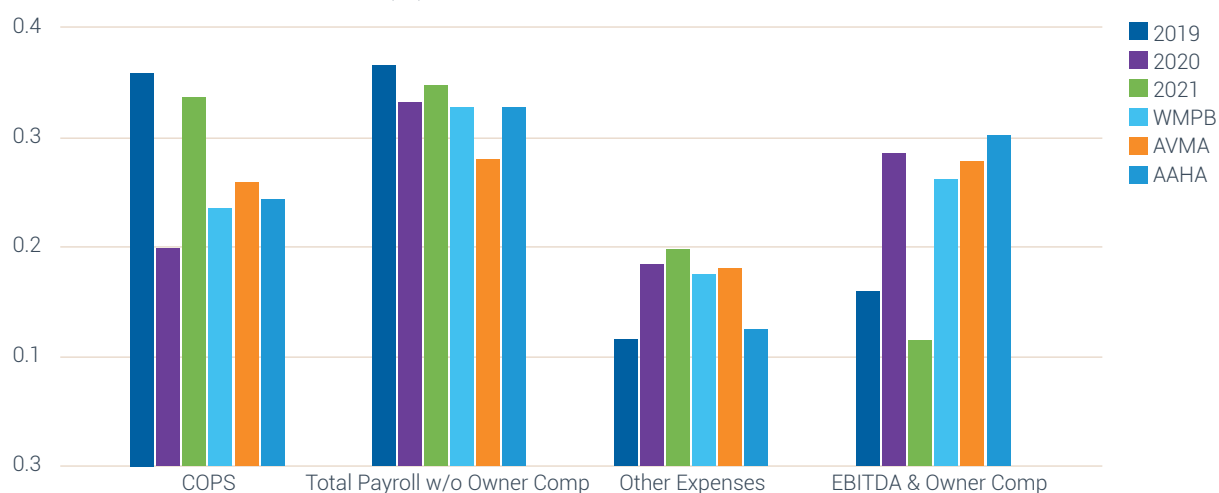


Chart 1. FAH Financials vs. Benchmarks



Financials vs Benchmarks (%)						
	2019	2020	2021	WMPB	AVMA	AAHA
COPS	35.90%	19.90%	33.90%	23.60%	26.00%	24.40%
Total Payroll w/o Owner Comp	36.60%	33.10%	34.80%	32.70%	28.1 %	32.90%
Other Expenses	11.50%	18.40%	19.90%	17.50%	18.1 %	12.50%
EBITDA & Owner Comp	16.00%	28.60%	11.50%	26.20%	27.90%	30.20%

Table 1: Financials vs. Benchmarks

## Trends Year on Year by Category

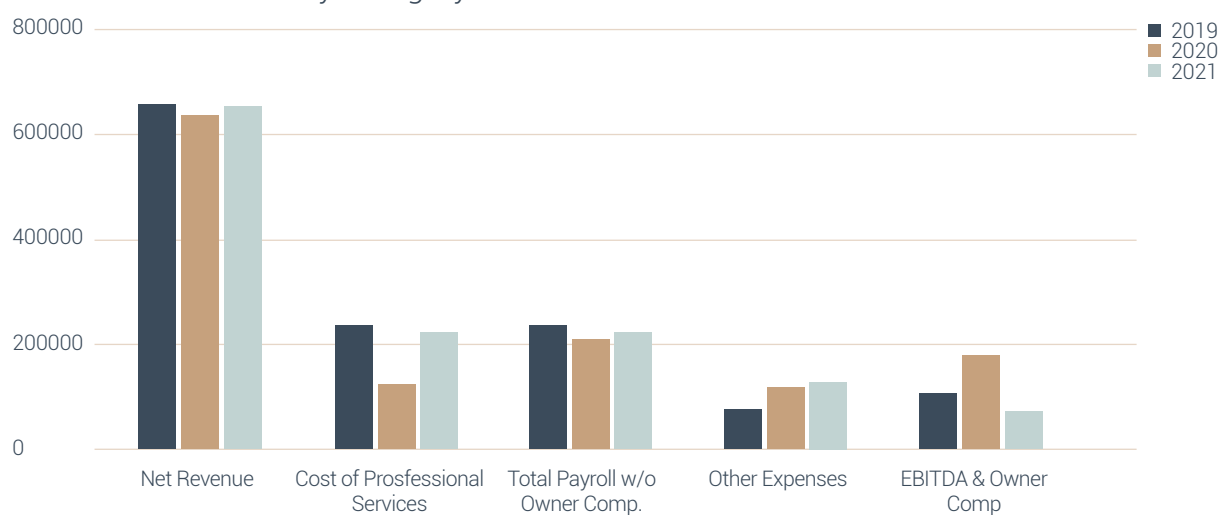


Chart 2: Trends Year on Year by Category



# Dental

Dental care offers us a large area for growth potential in this practice. FAH's revenue for dental procedures lies at 3% of gross revenue or about \$19,626. For now we assume the average cost of a dental at FAH is \$350 (not calculated). This revenue accounts for about 56 dentals per year, or 2.5% of unique patients (2,100 total assumed based on the total number of visits adjusted for an expected frequency of 1.6 visits per unique pet per year) for 2021. Simmons Key Performance Indicators states that about 42% of patients in a practice would benefit from an annual dental cleaning and physical exam. If more time was invested in client education around the importance of dental health and the positive impact of regular dental care on the quality and longevity of a pet's life and those efforts were supported with the use of proactive systems such as forward scheduling to book patients for care as soon as the client accepts the recommendation, I project that FAH could see an increase in compliance from 1% to 15%. Increasing dental services through focused improvements in scheduling plus team and client education, increased revenues from additional dental procedures with what is essentially the same base of fixed costs would improve the practice's financial health. Increasing the price of a dental to the standards of about \$436.50. has the potential to add over \$117,000 in revenue annually. Utilizing FAH's front lobby paired with the Montage screen display (a system discussed further in business proposal) will aid the practice in promoting dental care to clients, thereby increasing compliance by developing a growing population of pet owners desiring dental care for their pets. See my marketing and expansion plan. For a more detailed breakdown as to how this will be accomplished. See financial analysis figure 2 for breakdown of dentals.



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# Average Client Transaction

Industry standards state that our Average Client Transaction should be around \$184 (VetEcon) and \$209 (WMPB 2020). My personal experience in practice observation has yielded similar numbers. The inflation of operational and care cost expenditures over the past two years has been considerable and one might expect that given those pressures, a practice's ACT could easily have risen \$20-30.

The Average Client Transaction (ACT) calculated for FAH was \$140 for 2021. In 2020, the FAH ACT was \$123 and in 2019 it was extrapolated to be around \$130. This was done by taking the 2021 annual statistics of new clients and subtracting it two times over from the number of invoices of 2021. This gives us an average of 5050 invoices in 2019 with a gross income of \$660,031.

While industry standards and benchmarks are useful for comparison, it is important to remember that variables including services offered and macroeconomic issues associated with the year of 2020 may skew these comparisons. This is why it is important to follow the trend of ACT within an individual practice year after year. Growth in ACT should be seen with each new year for reasons relating to inflation, price adjustments and/or any increase in quality or spectrum of core medical services delivered.

We do not see any increase in ACT over the past 3 years and given the macroeconomic issues during that period, I would have expected a trend upwards year on year. If you added no new medical care or services to your basic appointment, the fixed and variable costs of everything you do in that exam room would still have increased year on year. General inflation this year has been running most recently at 9%. When you hold the ACT stable year on year, then you are either 1) doing less medicine for each client you service and charging accurately for your reduced services, 2) discounting your costs through intentional or unintentional fee reductions, or 3) dropping your costs (by not putting them on the invoice). Regardless of the year examined, FAH's ACT is well below industry standards.

A low ACT is commonly attributed to low client compliance, often the result of reduced recommendation of or acceptance of services and products such as flea/tick prevention, heartworm testing/preventatives, annual dental cleanings and annual bloodwork, particularly for senior



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(VetEcon)

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(WMPB 2020)



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invoices

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## 9%

General inflation

patients. For FAH, low client compliance results in a low ACT. The ACT is low because the recommendations aren't being made by doctors and accepted by clients. Care is often not recommended because of a belief by healthcare team members that the client will not accept or be able to pay for the medical care they wish to recommend. When care is recommended, clients may not accept the cost of care if the value of that care and its importance to the healthful longevity of the pet is not explained in a clear and compelling fashion. Improving the profile of basic care and the recommendation of that care

will be necessary steps moving forward upon purchase of FAH. Strategies that I will pursue to raise compliance will involve implementing a preferred pathway to health and training my healthcare team so they can adequately educate clients on the value and importance of annual dental cleanings, preventatives, proper nutrition, vaccines and biannual physical exams. We will strive to consistently recommend evidence-based medicine with purpose, passion and caring. See financial analysis Figure 3 for ACT breakdown and projections.

## Compensation of Officers

Based on current AVMA statistics (July 2022), the average veterinarian earns around \$100,000 per year.<sup>5</sup> As a practice owner, it is expected that you will make more than the average annual earnings of an associate veterinarian as you take on more responsibility and risk associated with ownership.<sup>6</sup>

I can appreciate regional demographic variation in operational expenses, personal expenses and business models can influence these numbers however, the current owner is not paying themselves a market wage. As of 2021, the owner of FAH was paid \$69,674. Being 5 years out of school and content with my clinical competency, I would expect to pay myself a salary at or above that of the average veterinarian. Immediately upon purchase I would likely take the lesser compensation for the first year as I generated sweat equity in the practice and focused on developing the culture, PPH and systems



**\$100,000**

veterinarian earns per year



**\$69,674**

The owner of FAH was paid



required for it to grow into a healthy practice. Again, being 5 years out and wanting to own my own practice, I have budgeted and set some funds aside to cover my living expenses and student debt to allow for this initial period of limited financial returns.

I will adjust my compensation such that as the practice becomes more profitable and robust, I will receive enhanced levels of compensation both as a practicing



veterinarian caring for patients of the practice and for managing that practice and supporting the team. As the owner, I will be compensated for my leadership, administrative and management involvement. At least 1% of practice's gross revenue will be allocated to me as compensation for my leadership responsibilities. Although I am planning to take an initial reduction in compensation, I would expect, based on my previous years of work and production in other practices, that I could pay myself a fair market wage for services as a veterinarian after the first year. Given, again, my prior work history and experience in delivering high quality medicine in a fee for service environment, I would expect that my minimum production would be \$650,000 annually, allowing me to receive a salary much more comparable to the national average. Based on the current low production of the owner, I suspect they are experiencing a declining caseload as they wind down their career.

## Salaries and Wages

The non-veterinarian wages for FAH are well above national benchmarks. According to benchmarks, the non veterinarian wages for FAH should fall closer to 18-22% and currently they are between 27-30%. I will analyze the practice's payroll report to gain an understanding of the compensation rates for each of the support team members and to gain insights as to overtime wages or other compensation. I understand that these factors may not individually be the root cause of the overage, but they could be a contributing factor. I suspect that the issues are more likely to be related to the productivity of the healthcare team. We have, roughly, a 5:1, staff: doctor ratio which is greater than the average practice. It's not a problem if the team is well organized, motivated and fully engaged in care delivery (recommending and performing periodontal therapies, running efficient technician appointments, etc). I will look to increase efficiency through horizontal scheduling and integration of a preferred pathway to health. Through this I expect to see my non-veterinarian salary percentages drop while keeping their wage the same, thereby increasing the return on my "wage investment". Buying a practice and immediately cutting pay to the current staff is disrespectful and unreasonable, so my plan would be to improve care standards, enhance care delivery and in so doing, increase gross revenue, thereby bringing the percentage expenditure on team wages into alignment with benchmarks from financially healthy practices.



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**5:1**

staff to DVM ratio

# Demographic Research

Every acquisition and business plan must come with set steps and this holds true for the offer to purchase Foundation Animal Hospital. One of the most important areas to start at is demographics and keeping up with the current news within the field. As a responsible practice buyer, it is up to me to use the most recent articles in order to remain apprised of the emerging and overarching trends in the industry. Resources I frequently include are the Journal of the American Veterinary Medical Association, Veterinary Practice News, Veterinary Medicine News, Today's Veterinary Practice, DVM360, The Conversation and The Well-Managed Practice Benchmarks Study.



Understanding the area where the practice is located and the local demographics is extremely important. It is essential to understand as well as possible the socioeconomic data for the population within the region so that I can recognize both the business opportunity as well as the potential limitations. From there I can develop a fact-based marketing strategy and better assess the long term merits of purchasing this particular practice. I would first start by purchasing an ESRI scan of the region to gain insights into the local demographics within a specified air mile radius of the practice. I would also secure an ESRI Pets and Products Market Potential. These reports come from a collection of databases and are based on survey data that issues measured and five year projected statistics of consumers and Market Potential Index for many daily living items, including pets and pet products. These statistics include average household population, annual income, population size and percentage of renters vs owners as well as individual spending on food, transportation, recreation, etc. The pet report looks at spending on pets, type of pets per household, number of pets per household, portion of population that utilizes pet insurance, age range of the surrounding population and many more. The importance of utilizing this data allows me to understand how many veterinarians I can accommodate and if there is room for growth, and let me explain:





On average, a full-time veterinarian will see 30 new clients per month and can sustain a client base of 1,400 active clients. I expect my numbers to be above this as I am 5 years out of practice and can take on a larger client base. Understanding the demographics allows me to grasp the potential for the flow of new clients into the practice. Determining the level of saturation within the target location of pre-existing veterinary practices and historical and projected growth of the population will aid in making critical business decisions to buy and expand/grow the practice.

Consider that if an ESRI assessment shows that the surrounding 10 air mile radius surrounding your practice contains 10,000 pet-owning households and knowing that each full-time veterinarian can sustain 1,400 clients, respectively, that would mean that FAH can be equipped to accommodate 5 full time veterinarians. Knowing how many full time veterinarians exist at the practice, and within the geographic location you are scanning, you can project with some confidence what the potential would be to accommodate additional veterinarians and or grow your practice. Given that my goal is to open a multi-doctor practice, this assessment holds a high amount of value.

## Expansion and Equipment Budget



As one of the most important parts of purchasing this practice, I have to think strategically as to how I will expand this current 1-1.25 doctor, 2 exam room practice into the multi-doctor practice of my dreams. FAH has much of its value tied up in pre-existing equipment, great service and unique client base. Upon expansion and renovation, these previous factors must be kept in mind so our quality of medicine and client base is not lost. Upon expansion of FAH, a fear free culture must be nurtured from the beginning. In order to account for this and achieve the smoothest and most direct transition, my expansion plan will be accomplished in one phase.



# Expansion Time Frame

As the new owner of this practice, I must allow ample time to establish myself with the current team at FAH, and to hire any additional staff necessary for expansion. The macroeconomic impacts over the last 2 years have made hiring associate veterinarians and non-veterinarian staff more difficult than ever. I must take this into consideration when laying out a time frame for the build. In order to take the appropriate measures and not undertake too many tasks at once after purchase, I will delay expansion for 1-2 years. This means I will also wait to request a loan for this expansion as I must evaluate the business side of my new practice monthly to make sure I can adequately justify a large expansion process. This period of time will allow me to further assess the market, hire any additional staff that might be needed and focus on training my team so that we can more effectively and efficiently deliver best care and an outstanding client experience. It's critical that I retain the clients who's goodwill I have purchased. Cultivating a healthy work environment is a key component of future success. Part of the expansion includes an upstairs staff room that will involve a dining table and employee fridges, stocked weekly with food and drinks. During this time, I can also be planning for the expansion budget, developing plans for the architectural build out and completing engineering studies and renderings well in advance to allow for any changes before undertaking the expansion project. See expansion budget Figure 1 for projected cost of build out.

## Expansion and Efficiency

The current 2 exam room model is perfect for the 1-1.25 doctor practice as it stands. However, in order to increase the amount of clients seen and doctors that can practice, additional exam rooms must be added. Horizontal scheduling will be implemented into the basic workflow of the practice. Horizontal scheduling is based on the paradigm shift of assigning a technician to each exam room and not to a doctor. That technician "owns" her/his particular exam room for that day and sees every client who has an appointment in that room. They review the day's schedule in advance and set up as much of what they will need as possible (vaccines, skin scraping kits, etc) in advance. The

assistant will put the client in an exam room and start the examination with a history, obtain biometric vitals as appropriate and complete or obtain any basic diagnostics that are required. The assistant will then brief the doctor on the case in front of the client allowing the client to hear (and review) the history as the healthcare team has understood it. Clients often amend or add to the history when they hear it 'played back' for them and shared with the doctor. This will allow for the veterinarian to ask clarifying questions and progress being as systematic and complete as possible.

Practices, through the horizontal scheduling paradigm

make better use of their teams and see more clients per day through their existing exam room footprint while delivering more complete client and patient care, capturing more revenue per appointment and generating more complete medical records in a time-effective manner.

In order to accommodate an additional 1-3 doctors, I will be adding at least 4 exam rooms, giving us a total of 6. Building more exam rooms than you think you will need is important when provided with ample space. One of the additional exam

rooms (exam room 2) will be utilized for in-take of patients for dentals and surgical procedures. This smaller sized exam room allows for less wasted space in the practice and increased efficiency for procedures. See image 1 below and take note of exam room 2, the dual dental station suite and the additional surgical suite. Given that the property has room for expansion and plenty of parking, I will be utilizing a modular, temporary building to see patients while the FAH facility is under renovation.



Image 1. Birds eye view of new build layout.

# Temporary Modular Building

Utilizing a modular building will allow the practice to operate on a full time basis while the construction progresses in the building. Clients, team members and pets will be spared the exposure to construction noise and chaos. Traditional expansion models typically progress in phases that involve working around the medical care team and owners. This consists of multiple sessions of contracting and working around the already busy schedule of a hospital in a manner that is inefficient and invariably more expensive as a result of that inefficiency. Using a modular facility, I believe I am less likely to experience client dissatisfaction, inconvenience and attrition as well as revenue losses, all of which could negatively impact the future growth of my practice.

The abundance of space and parking on the FAH property site will allow me to fit a modular building in a portion of the parking lot, furthest from the main road. This modular unit will have a total of 4 exam rooms, allowing for horizontal scheduling of 2 doctors maximum. This permits me to utilize a relief veterinarian or a 'soon to be' associate in training. Along with the exam rooms, the unit will have a workstation, treatment/recovery room, x-ray, surgery, scrub area and dog ward. See Image 2 & 3 below for temporary modular building. Pairing a small reception area with this modular will allow me to do business as usual without years of traditional expansion chaos, clutter, expense and disruption to clients, pets and staff.

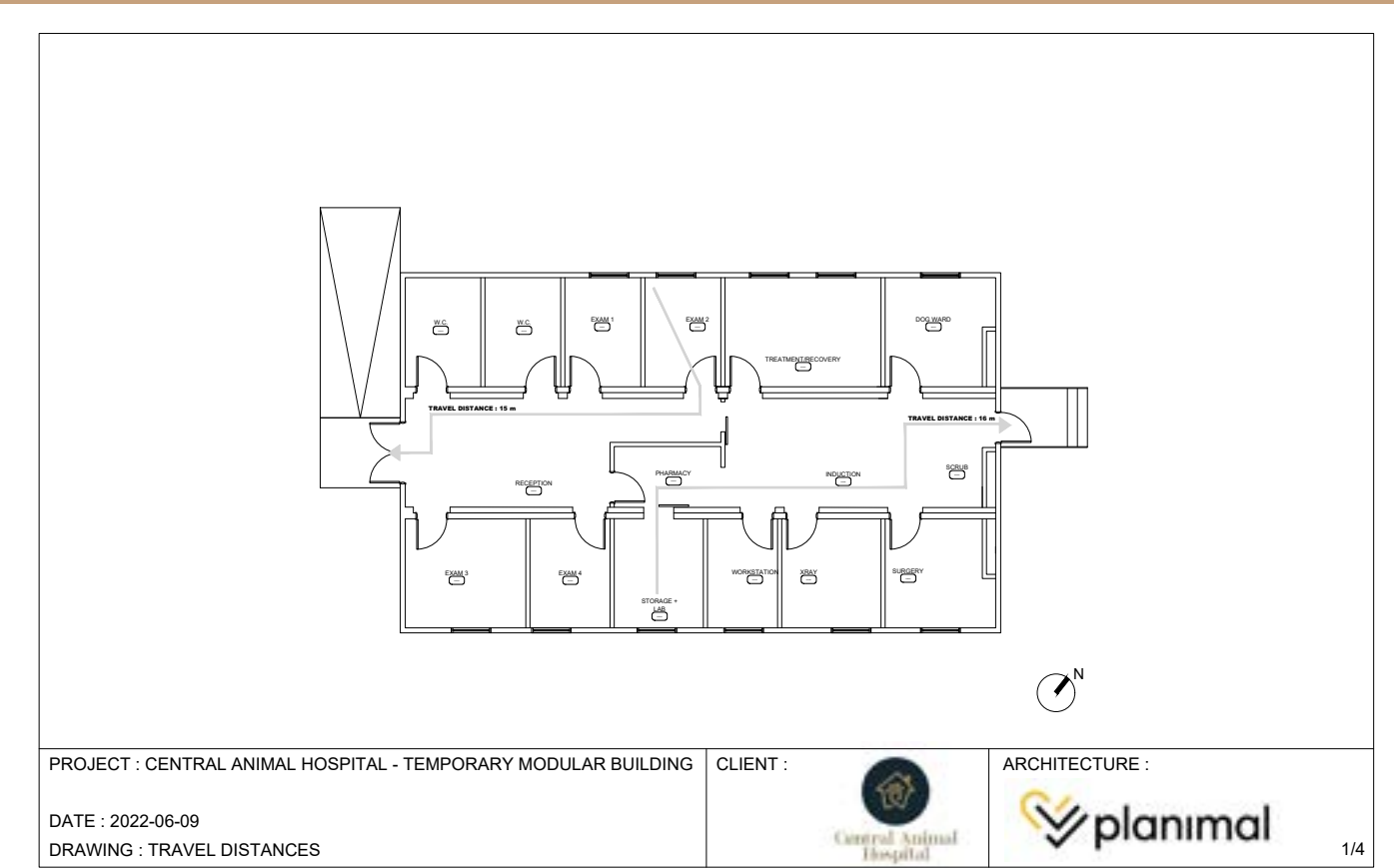


Image 2. Birds eye view of new build layout.

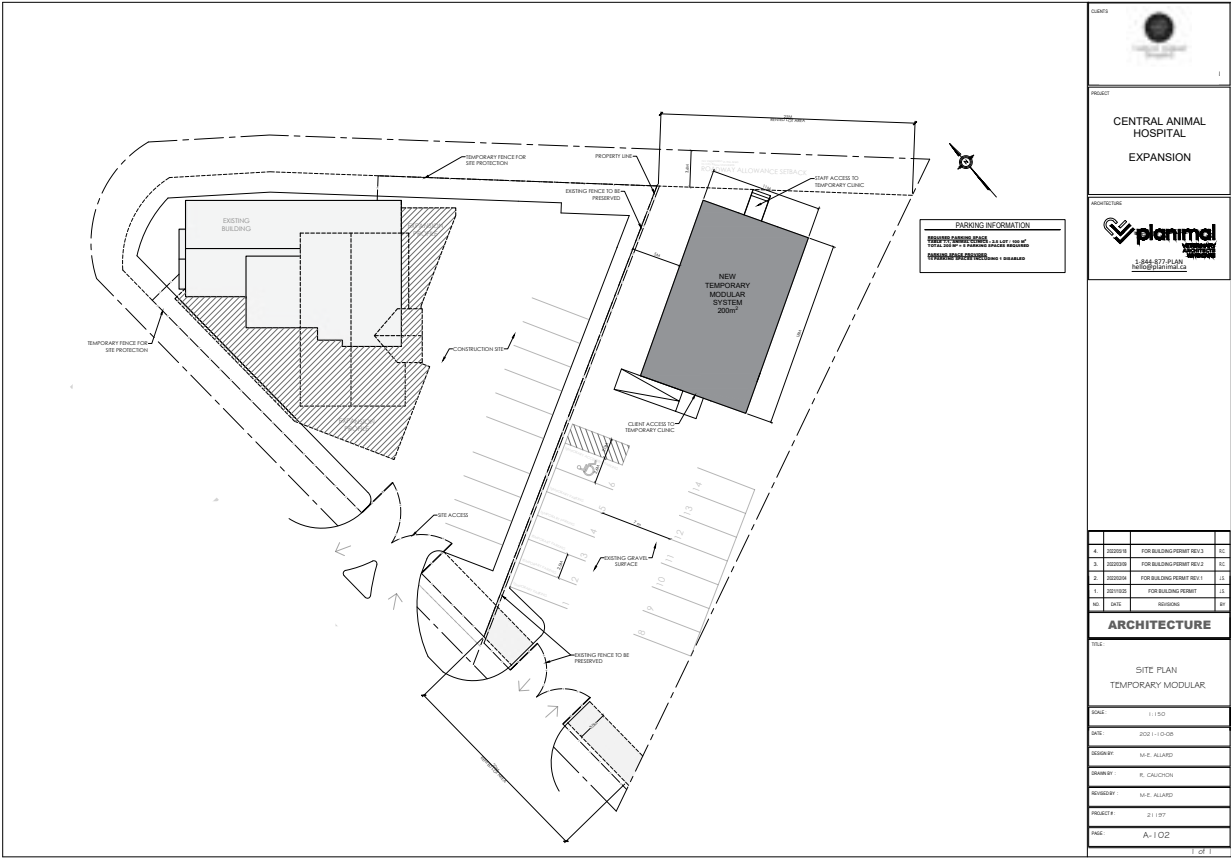


Image 3. View of Modular System in the parking lot next to hospital under construction

Cosmetic additions and updates will be done to the reception/front area in conjunction with the overall expansion. Clients are often only exposed to the reception area and exam rooms, so it is important that we make these areas welcoming and comfortable for our clients. See Image 4 & 5 below for renderings of reception area.



Image 4. Reception renovation rendering view: 1



Image 5. Reception renovation rendering view: 2

## Montage Display

Wait times at veterinary clinics are at an all time high and it can be difficult to mitigate this, even at the most efficient veterinary practices. In order to tackle this problem, we must keep our clients engaged in the lobby and not let the silence of waiting fester. More importantly, when at all possible we want clients and patients to get into the exam rooms quickly upon arrival. We do not want the lobby to become a waiting room. This will lead to dissatisfaction of the clients, when, instead, we could be using this time to integrate proper client education. A Montage interactive display system will be implemented into the lobby and exam rooms after expansion. Montage is arguably the most efficient marketing communications, clinical case presentation, client education and client entertainment system on the market today. This unique tool allows for communication of an engaging presentation of a patient's clinical findings. The "whiteboard" component of Montage can help convey the result of an ACL tear to an owner in a much simpler fashion than your usual

plastic model. You can import records and annotate them individually. The whiteboard component permits for instant import and display of DICOM files, giving easy annotation ability to the doctor when describing radiographs and other images to clients.

Client compliance is critical and especially when it comes to preventative medicine. One of the biggest challenges in client education occurs when an owner get lost in explanation and can't get their mind wrapped around a concept or a compelling reason for the need to perform certain procedures. Client education through the Montage display can aid in promoting client comprehension and understanding, thereby increasing compliance and the quality of medicine delivered. Montage has a digital brochure library that includes professionally written documents on dog and cat care, dog and cat nutrition, clinical procedures and information on conditions, problems and toxins. Each

brochure can be viewed on the screen, printed from montage or e-mailed directly to the client. Another common area of poor or inaccurate information centers around dog and cat breeds. Montage allows your client to select through dog and cat breeds and review AKC statistics, common diseases and grooming information. Along with client education, Montage offers widgets with calories counters, age converters, chocolate toxin meter and patient longevity based on weight. This allows the owner to gain a deeper understanding of their pet's clinical problem and be more inclined to accept treatment options.

When it comes to expanding a veterinary practice, marketing is critical. Montage offers a photo booth and gallery. Owners can take photos of them and their pet that can be shared instantly via text or e-mail. These photos can also be automatically uploaded to the website and social media platforms, allowing it to be a great tool for Search Engine Optimization (SEO). See marketing section for more information (pg. 45)

Education with entertainment, especially for children, is critical for a positive client experience. Montage offers a trivia widget, giving clients and their family not only the option

of entertainment while waiting, but the ability to win actual prizes like gift cards. I would have full control of what trivia, prizes and games will be displayed.

I will be using the "Jumbo Smartphone" model for the reception area and each exam room will be fitted with a wall mount board. See Montage Display Images for more.

On equipment purchases, a measurable ROI should be investigated to see if this is financially practical for the hospital. The Montage display's ROI will be measured through client satisfaction surveys and compliance graphs. This will provide clients with an invaluable experience that they can enjoy and help them to look forward to future visits. See renovation budget for montage costs.

Given that the hospital currently enjoys great visibility, it will be important to complement its striking appearance with new signage. With potential clients driving by daily, an updated sign has the ability to catch the attention of potential clients and create "buzz". In image 6 below there is a large triangular median present in front of the expanded hospital model. The update signage will be implemented in this area.

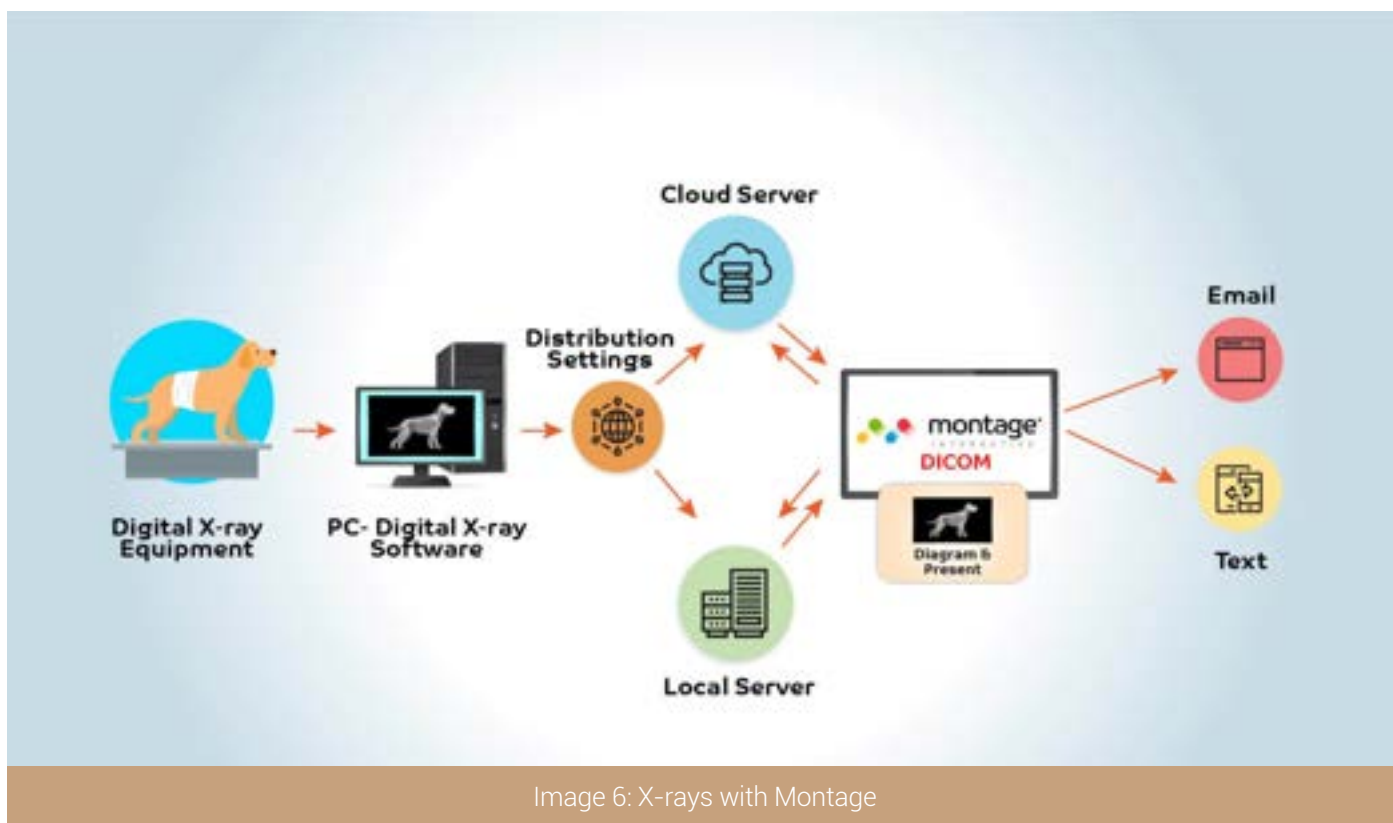


Image 6: X-rays with Montage





Image 7. Rendering of hospital expansion with a median for placement of updated signage





# Loan application and offer justification

After refining my final offer for the practice, I would next acquire a lender and loan specialist. Being 5 years out of school, I know that I need two years of work experience and a good credit record to obtain a loan on favorable terms. As of current, my FICO score of over 810 should allow me to obtain 95% financing from commercial lenders in the current market. Choosing a lender familiar with the veterinary space is important. Wells Fargo, Nationwide, Bank of America, Provide and Fountainhead would be obvious choices to explore.

Once the application for a loan is complete, I will submit my in-depth business plan, CV and letter of intent conveying my qualifications to purchase a practice.

Given the financial and business benefits of purchasing the current real estate, I will obtain the practice by requesting both a start-up loan and real estate loan. I will have built up my own savings to invest in the purchase.

- I will be looking to qualify for a **\$350,000**, 20 year real estate loan with a 5.0% interest rate, **\$30,000** down payment and 3% loan fees. The annual payment would be **\$28,742.30** on the **\$320,000** loan.
- I will also be looking for a **\$230,000**, 10 year start-up practice loan with a 4.0% interest rate, **\$10,000** down payment and 3% loan fees. The annual payment would be **\$27,724.30** on the **\$220,000** loan.

The **10** year start-up practice loan of **\$230,000** from the lender will have a certain sum go into purchasing equipment, cultural training, and CE for the staff to increase standard of care.

With the help of a lawyer, I will formulate an offer letter. I can navigate negotiations with the aid of the lawyer and agree to a final purchase price with the seller. In the negotiation method, I explain my proposal of an offer below asking price as defined within the "valuation" discussion above.

Over the last **3** years, Foundation Animal Hospital produced an EBITDA of approximately **\$58,500**. I am justifying a 3.0-4x multiplier on this EBITDA due to the work that will need to be done upon purchase. In the current market, many consolidators are paying 6-8x multipliers for multi-doctor practices with phenomenal culture and superb systems. For FAH, this is not the case and paired with the fact that I do not have the monetary backing that consolidators do, my multiplier is lower. See Figure 4. Valuation of FAH for EBITDA breakdown.

I will offer **\$215,000** for the purchase of the practice.

Although I believe this to be a generous offer, I must not forget the good will tied up in this practice, quality equipment, reliable staff and existing clientele. These invaluable assets justify my generous offer for Foundation Animal Hospital.

# Execution

Upon purchase of FAH, I will then begin the needed changes to foster a healthy work environment and get to know and understand, each of my staff and their needs.

I plan to move slowly as I take ownership, taking care to assess what's working well so that I don't disrupt the good things that are in place. Changing things too early or too drastically can end up creating discord and dysfunction.<sup>10</sup>

The name will be changed from Foundation Animal Hospital to **Central Animal Hospital**.



## First 6 weeks out



First and foremost, I would require the current owner to transition me to the clients in an amicable manner. This would consist of sending out a newsletter, and telling clients about me prior to transition.

Adequately preparing for my first 6 weeks out as a practice owner can determine whether my transition will be a success or create problems for years to come. My main goal is to build trust with the current staff to mitigate any resistance to change that may come later in my ownership career. "Listen twice as often as you speak, build trust, build a team and then and only then should you implement changes". I will be allocating time to team bonding so I can get to know each employee on the level I need through dinners or outside events. I will be using a portion of the funds from the start up practice loan for a third party culture building retreat. Here, the team can establish their core values for the practice and build trust, integrity and honesty with one another. We simply must have a positive organizational culture if this practice and its employees are to reach their full potential.

In the words of Peter Drucker: "Culture eats strategy for breakfast."

# Seller Transition

Seller support is a key aspect of any practice sale and essential to a smooth transition. It's key to employee comfort. It's key to client confidence. I would request that the current owner discuss multiple topics before transitioning. During this time I would learn from the current seller about the staff and its existing culture.



## Culture and Staff Training

It will be important to develop a training program for the education of the current healthcare team. A well trained team will enhance their efficiency, and their effectiveness while promoting their professional growth, personal fulfillment and workplace engagement. I will determine the current amount of time clients spend waiting, whether this be in the reception area or exam room. Based on this data I will reevaluate and implement a proper workflow system to optimize the efficiency of the practice.

One of the most important steps we will undertake will involve the health care team defining what they believe constitutes the ideal client veterinary healthcare experience and their role in bringing that ideal experience to life. That might look something like this:

1. Client arrives in the parking lot. Since the entire team always knows the next three appointments and who is arriving, the customer care representative can immediately identify who is arriving and help them into the building, or they can greet them as soon as they enter the lobby
2. The client will be checked into a computer system and the technician assistant will arrive in the lobby, greet the client and patient by name and walk them into an exam room. Once there the technician assistant will ask how the client is doing and confirm the reason for the visit. They will then collect a history using open-ended questions and make recommendations based on Central Animal Hospital's previously established preferred pathway to health.

3. The technician assistant will go over the history with the veterinarian while in the room in front of the owner. This ensures the owner that they were heard and allows them to add to the history or correct any discrepancies. The veterinarian will then clarify any details and examine the patient. While the veterinarian is performing the exam, they will be dictating exam findings to the technician assistant who will be recording everything in the medical record. The veterinarian will explain what he/she is looking for so that the client understands the value of the medical examination. The veterinarian will then make recommendations based on the preferred pathway to health and implement them with the owner's consent.
4. Efficiency and Physical Exam (PE). Technicians should be entering the history and performing all procedures including radiographs, blood draws, catheter placements, and nail trim/anal gland expressions. During the PE, the doctor should explain exactly what they are doing, thereby adding value to each appointment while simultaneously helping the technician to enter correct information in the medical record. We need to involve the client in the exam so that their understanding of their pets health is increased and their appreciation for what they get from an in-person experience with a veterinarian leaves little room for that relationship to be hijacked by online telemedicine services..
5. If the patient requires diagnostics or treatments, the technician assistant will bring the patient to the treatment area and perform the necessary procedures. The patient will then be brought back to the room and returned to the owner.
6. The veterinarian and technician assistant will return to the room and the veterinarian will go over the diagnostic results with the owner and make further recommendations as necessary. The client should receive a copy of the diagnostic results, which can be printed or emailed, as this further conveys value. While the veterinarian is chatting with the owner, the technician assistant will be finalizing the discharge instructions.
7. The veterinarian will then exit the room and the technician assistant will go over the discharge instructions and the administration of any medications dispensed. They will also then forward book the next visit. Payment will be taken in the room and the client will be walked out to the lobby or assisted to their vehicle

For Central Animal Hospital (CAH) to successfully promote care, our team members will need to have a clear, evidence based understanding of the value of the care and preventatives we recommend. To that end, I will educate the staff on the importance of annual dentals, preventative medicine and ultrasonography. The key to our success will be an investment by the practice to get all team members to high quality regional or nationally prominent CE meetings. This has not been a priority of the previous owner and our willingness to do this will also convey to team members that we see them as important partners in the operation of the practice.

Unless the practice culture is at risk because of a chronically negative teammate, I am inclined to assess teammates for their potential for professional growth instead of the skills or knowledge that they don't currently possess. In my interviews with the team, I will be exploring areas within the practice where they individually have interest in growing

their skills, be that imaging services, laboratory equipment or a certain type of medical skills. I will then look to get that individual additional training in that area so that they feel valued and appreciated and so that we gain a person who can deliver more care to patients who have been entrusted to our care.

## Staffing



The current and past relief veterinarian(s) over the past 3 years have delivered an average production percentage of 29%. See financial analysis figure 5. Based on the considerable fluctuations in the profit and loss statement over the past 3 years, I assume they are paid a per diem rate. I would transition that approach to one that offers a limited base of \$300/day with a flat rate production of 20% for any revenues collected above \$1500 gross revenue per day as compensation of any relief veterinarian moving forward. Given the responsibilities of an ownership role and needed breaks, I will need to have access to a competent relief veterinarian for at least 40 days per year. This is based on allocating 24 days per year (2 days per month) to work on business, 15 days of vacation and a few days of cushion. As we change the productivity and financial fortunes of the practice through our efforts over the first year, I will begin to consider how to add the support of an associate. I might choose to start with a part time associate or recurring relief veterinarian to take on either more of the dental work or room to room examinations. This permits me to not sacrifice one area of profitability over another and instead, allow for both revenue streams.

According to Simmons Key Performance Indicators, the

staff to DVM ratio is mildly elevated sitting at around 5:1. We can see this reflection in our current staff costs exceeding 25%. Through proper utilization of horizontal scheduling, relief veterinary support and team training, we should see the percentage of nonDVM team expenses reduce as overall profitability increases. A recent study suggested that a 1 unit increase in number of technician hours used to support 1 hour of veterinarian work was associated with a 20.5% increase in revenue but no change in productivity. When I support team members who are trained adequately and utilized appropriately, our staff to DVM ratio could increase linearly without adverse repercussions.

As we progress with the move to the modular facility and undertake the remodel, we will begin in earnest to recruit 1-2 associate DVMs and team members to support them. Because recruitment of veterinary associates and team members is challenging, the 1.5 year process of completing the remodel will allow me adequate time to find the right teammates. I will utilize newer hiring platforms like hound.vet to promote my practice as a successful workplace. Establishing CAH in the local community and veterinary events will aid me in this hiring process as well.



**Date:**

September 15th, 2022

To Whom it may concern,  
I appreciate you taking the time to evaluate my loan request for Foundation Animal Hospital.

I am focused on buying and expanding the current Foundation Animal Hospital. Currently located in a suburban area with prominent visibility while on a main thoroughfare makes this practice an ideal candidate for purchase. Given the property has room for expansion and the positive forecast for the community relative to growth, pet ownership and personal income levels, purchase of this hospital promises to be a very attractive business endeavor.

Over the past five years since graduating from veterinary school, I have refined my confidence and clinical acumen. I have flourished in my previous employment producing over \$700,000 per year for each of the past 4 years. For the past 8 years, I have been planning to purchase a veterinary practice. I have long maintained an interest in practice ownership and have undertaken considerable continuing education in small business management and operations. My offer to purchase FAH is based on a carefully executed financial assessment and supported by the the opinions of others working in the industry. In order to support my dream business venture, I am also applying for capital to use on equipment and training that will allow me to practice the highest-quality medicine for patients with a superior team.

Attached you will find the business proposal for Central Animal Hospital. Along with this you will see detailed financial projections. If other documents are required, I'd be more than happy to provide those for you.  
Respectfully,

**Thomas Kile, DVM**

# **Central Animal Hospital**



**Central Animal  
Hospital**

**Business Proposal**





## Vision Statement

Central Animal Hospital establishes itself as preferred provider of pet health care services in our community through the delivery of exceptional medical and emotional care and the provision of first-rate customer service to every patient entrusted to our care.



## Mission Statement

We join forces with our clients to sustain and protect the human-animal bond.

We will offer cutting edge veterinary medical care for every patient, to every client, every time. We teach our clients about the role they play helping their pets live as long and as well as possible. We encourage proficient development for all staff to guarantee our training leads the region in both veterinary medicine and client care.





## Core Commitments

It will be important to develop a training program for the education of the current healthcare team. A well trained team will enhance their efficiency, and their effectiveness while promoting their professional growth, personal fulfillment and workplace engagement. I will determine the current amount of time clients spend waiting, whether this be in the reception area or exam room. Based on this data I will reevaluate and implement a proper workflow system to optimize the efficiency of the practice.

One of the most important steps we will undertake will involve the health care team defining what they believe constitutes the ideal client veterinary healthcare experience and their role in bringing that ideal experience to life. That might look something like this:



### Education

Providing high-quality patient care is at the core of what Central Animal Hospital (CAH) stands for. Through our staff knowledge and utilization of the most up-to date technology, CAH educates our clients to the utmost degree. For every new puppy or kitten seen, an owner is provided with a road map for care and husbandry required during the first year of life and how to manage situations that may arise. Information on contemporary core vaccines, reproductive neutering, flea/tick protection and

dental care, tailored to the needs of individual pets will form the foundation of our care model. Our goal will be to provide every owner with the opportunity to provide their beloved pet with the gift of happy, healthy, pain-free longevity.

CAH educates not only our owners, but our staff as well. It behooves CAH to keep our staff knowledgeable on the most current literature in the veterinary space. Through our weekly rounds and continuing education for each individual staff member, CAH can guarantee the best care for your pet.



## Together

Better medicine through working together. At CAH, our staff is trained on how to tackle your pet's condition, together. Through team collaboration, systematic protocols are followed in the most proper manner for each patient. Team bonding and training are enriched through monthly events as we continue to learn more about each other and how to help one another become the individuals we desire to be. We create a non-negotiable healthy work environment where everyone is laser-focused on patient care and customer service, are respected, encouraged, continually learning and laughing.



## Dedication to the community

CAH provides continuous services to our community through reduced-cost services to shelters, donations to our local pet organization, outreach programs at our local pet expos and school functions, low-cost spay/neuter and vaccine clinics, a practice angel fund and pet food banks. Twice a year we have our practice owner/doctor and lead CVT go to our local elementary school to teach students "A day in the life as a veterinarian". This allows kids to dress up as a doctor for the day.

and treat their own stuffed patients. Teaching kids about the importance of animal welfare and how it can be fun too is what love to do at CAH. More importantly, we will be working with the school system to provide annual pet safety sessions teaching children how to safely enjoy pets they encounter throughout the community. Our goal will be that no child in our community will be ignorant of the basic rules of safety around pets, especially those with which they are unfamiliar. Every child will know that when challenged by an aggressive pet, they are to “stand like a tree, like like a log!”. CAH hopes to stand as the rock in our surrounding community, providing information on animal care to improve the lives of pets. It is so very important to be connected to the community because at the end of the day, medicine is relational.

Monthly, CAH sends our newsletters to clients and shelters in the community about a variety of subject matter within the veterinary space. This includes topics like: “buying a purebred, the do’s and don’ts” and “Managing your diabetic cat”. This is just a glimpse into what CAH offers our community and we hope to expand this work in the years to come.



## Hospital Definition

As pet ownership continues to skyrocket, it is up to CAH to serve its local community in the most profound way possible, providing the highest quality of medicine for each patient. Utilizing this growth within the veterinary space, Central Animal Hospital will pioneer new methods of veterinary practice that will enrich and lengthen the life of every pet while pushing us forward into an era of sustainable financial prosperity.



# Market Research



## Clients

You must understand what is valued by your clients to prioritize business operations. Based on my ESRI demographic analysis, Central Animal Hospital's ideal market will be pet owners who desire a quality centric healthcare experience. Pets are considered to be family members in most homes. Over 60% of households allow pets to sleep in the bedroom, usually on the owner's bed. Over 30% of families refer to pets as their babies. The team at CAH will focus on these realities and contribute to the well-being of those households across our community by providing each patient and owner with both quality medicine and tremendous value during every visit.



## Management

To transfer ownership with simplicity, Central Animal Hospital will be structured as an S corporation.



## Leadership

### Chief of staff/Owner: Thomas Kile

- President of Veterinary Management Association at Washington State University Veterinary School
- Marketing Director of the National Veterinary Business Management Association
- Completion of Practice Management Rotation: Evaluating veterinary practices
- Medical Practice Administrator: Lisa Smith
- 10 years experience
- CVPM Certification
- Leader Veterinary Technician: Sarah Smith
- 16 year of experience



## Hospital Culture

Organizational culture is best thought of as the collective mindset of an organization. It is the way the individuals in the organization view their work and their role in bringing that work to life. CAH's culture communicates the objectives we aspire to accomplish and defines how we will interact collectively as they serve their public and deliver on their brand promise. Because one's organizational culture defines their operational environment, the culture must be clear, compelling, empowering and engaging. Central Animal Hospital's culture is closely guided by our core values. Education, togetherness, and dedication to the community are what hold CAH together. Training to reflect our core values is intensely produced for each new team member that joins the family at CAH. The goal is to create an environment and an operational philosophy that is emotionally owned and valued by our team.



## Service

Thorough medical care for each pet is offered to every client at CAH. Every pet will be recommended a plan involving preventative medicine that includes an annual dental cleaning, bloodwork, flea and tick prevention, heartworm and two annual physical exams.



## Marketing and Advertising

As of the last fiscal year, \$9,600 was spent by FAH on advertising and website yearly. Approximately \$6,000 of this is spent on Yellow Page Advertisements. The Yellow Page component will be discontinued and these funds will be reallocated to targeted advertisement on social media, hiring platforms and search engine optimization. Catering towards the up and coming population of pet owners is critical and other channels of marketing will be considered based on further demographic analysis.



## Social Media and Website

An aesthetic, educational and easy to navigate website is essential to the success of CAH. Using a third party system such as Fiverr.com will allow me to automate needed website changes. Having Fiverr as a social media management partner will allow me to hire a freelance website designer to do the work without myself having to take the time to do so. Given I will be managing the practice,

implementing this type of efficiency is critical to productivity. These updated website will include: appointment, pharmacy and medical record request links. The website will also include an array of educational materials for owners addressing topics such as: Steps in caring for a new puppy/kitten, medical management of disease and seasonal advice for pet owners. I will acquire a professional photographer to obtain pictures of every team member and create a virtual tour of CAH. This tour will show the clean, friendly nature of our staff and take clients behind the scenes of the hospital so they will feel more comfortable when their pet is with us. Also available will be a series of "How it's done" videos showing clients how we perform certain, basic procedures that can otherwise make them nervous such as blood draws, radiographs, and preparation for surgeries. Personal team member biographies will be placed in a section called "Meet the Staff" page to show current staff's history in the field and why they chose veterinary medicine. We will have a link that shows our events coming up in the local community and encourage clients to stop by. The website will be stocked with friendly pictures of the staff, patients, and team bonding to show the wholesome nature of CAH.

Central Animal Hospital will be heavily involved on social media including Instagram, Facebook, and Tik Tok. Creating "Fun Fact Friday" and "Waggy tail Wednesdays" will keep the feed current and up to date while also showing clients new pets to CAH and learning a fun fact every week. Bimonthly video will be uploaded showing team bonding, friendly patients and process of procedure videos for owners and veterinary students. I will source a multiplatform posting tool to get the same content across all platforms at the same time. Engaging with existing and new clients on all platforms will be necessary to retain and grow the social media network and promote a healthy repertoire for CAH.

The Well Managed Practice Benchmarks states that more than a third of geriatric patients (8+ year old) being euthanized are not seen at the primary care veterinarian during their geriatric life phase. Large portions of geriatric pet populations are not making it into the clinic to get the help they need. Moving forward I will market towards these geriatric patients through additions to the website. This will start with educational content that owners can read at home. Some of the content includes common ailments for geriatric patients like panting and pacing, weakness, decreased vision mentation changes, innaprorpatiate urination and chronic pain. Each of these ailments will have an additional webpage to give information regarding what the ailment is, what diseases can go along with these ailments, ways to diagnose these diseases, ways to manage at home (ex: mental stimulation games, nighlights and mats) and services CAH can offer like medication and physical therapy. The videos I plan on putting in the website will also contain footage of "managing your geriatric pet at home". Marketing towards the geriatric population will not only create a high quality of medicine practiced, but increase the amount of patients seen annually for CAH.





## Community Promise

Dedication to the community is one of the core values at CAH. In order to embody this value wholeheartedly, leaders from CAH will be present at events in the surrounding area as well as host annual events for clients and their pets. These will include local parades, adoption center events and music festivals. As previously mentioned, annual fundraising for a variety of charities will be put on that will include spay/neuter work in Puerto Penasco, pet food and toy donation days, pet pictures with Santa and pet halloween contests. All of these events will promote CAH and educate the local community of pet owners while donating to a good cause.



## Signage

CAH as it stands has great visibility on a main thoroughfare, giving CAH the opportunity to attract new clients through updated signage. In doing so I can display reminders for preventative care, and pictures of current pets/staff. This will also be an opportunity to show the cleanliness of the hospital with the virtual tour being on here as well.



## Continue Client Retention

The current staff is friendly, supportive and maintains healthy relationships with the existing clientele. Marketing towards retaining current clients will be essential moving forward for CAH. I will acquire information regarding the most valuable clients and target a portion of my marketing towards retaining these individuals. Given the previous owner has told the clients about me and confidence in my abilities, I see this being less strenuous.



## Funding Request

- 20 year real estate loan of \$350,000. The real estate has a current MAI appraisal. This funding will be used entirely for the acquisition of real estate tied to Foundation Animal Hospital.
- 10 year start up loan of \$230,000. \$215,000 will be used in the purchase of the practice, and the remaining balance will be allocated to staff training, culture workshops, continuing education, and inventory supplies (put exact dollars for the remaining \$15,000).



# Financial Analysis

## Revenue breakdown

	2021 Revenue	% of Revenue	Benchmark (2019 AVMA + KPI)	2021 Expenses	1/E Ratio
Professional Services	\$163,550.00	25%	27.5% (2)		
Laboratory	\$130,840.00	20%	18.2%(1)	\$42,628	3.1
Flea & Heartworm	\$98,130	15%	19.5% (2)		
Vaccinations	\$65,420.00	10%	7.1% (2)		
Pharmacy	\$52,336.00	8%	16.82% (2)		
Dietary	\$39,252.00	6%	3.2% (2)	\$9,822	4
Grooming	\$19,626.00	3%			
Dental	\$19,626.00	3%	4.5% (1)		
Other Misellaneous <2% each	\$65,420.00	10%			
Total	\$654,200	100%			

**Figure 1. Revenue breakdown by expenses and income/expense ratio.**

(1) Simmons "Key Performance Indicators for Practice Financial Health." David McCormick and Sherry Everhart; Simmons Veterinary Practice Sales and Appraisals. <https://simmonsinc.com/wp-content/uploads/2020/10/KPIs-for-Financial-Health-1.pdf>

(2) American Veterinary Medical Association. "2019 AVMA Benchmarks."

## Revenue breakdown

Dental Revenue	
Number of Dental Procedures	56
Number of Unique Patients	2100
Dental Compliance	1%
15% Compliance Projected Revenue	\$137,497.50
Cost of Projected Dental	\$436.50
Additional Revenue	\$117,871.50

Figure 2. Dental breakdown by number of dental procedures and projected increase in compliance and thus, revenue.

## ACT Breakdown and Projections

	2022/2023 Projected	2021 Numbers
Patient Visits	5200	4562
Gross Revenue	\$1,014,000	\$654,200
Average Client Transaction	\$195	\$143
Hours open per week	50	50
Hours open per year	2600	2600
Patient visits per hour	2	1

Figure 3. Projected ACT gross revenue respectively.

1. Patient visits per hour was calculated based on achievable goals. Competent support staff and efficient scheduling allows 2 patient visits per hour to be an attainable goal. This projected figure allows me to project future gross revenue and this can be justified in my marketing plan.
2. Projected patient visits have been estimated using the assumption that we will be open 2600 hours annually and that I will be able to initially service 2 patient visits per hour.
3. Projected Average Client Transaction (ACT) of \$195 is formulated by a greater frequency in recommendations to clients paired with exceptional value. Although this ACT is still below industry benchmarks, we must consider changing prices too drastically too quickly can lead to a greater client attrition.

## Valuation of FAH

FAH Price Valuation	
Gross Margin Avg. (2019-2021)	\$454,576
Total Overhead Expense Avg. (2019-2021)	\$396,081
E 8I TD A Avg. (2019-2021)	\$58,495
Multiplier	3.5

Figure 4. Valuation breakdown of FAH including gross margins, total overhead expenses, and EBITDA averages over the last 3 years.

## Veterinarian Compensation Analysis

Doctor Production	2021	2020	2019
Owner	\$450,970	\$486,487	\$485,489
Relief	\$52,764	\$1,628	\$22,735
<b>Total</b>	<b>\$503,734</b>	<b>\$488,115</b>	<b>\$508,224</b>
<b>Doctor Compensation</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Owner	\$69,674	\$65,322	\$51,814
Relief	\$16,330	\$600	\$4,650
<b>Total</b>	<b>\$86,004</b>	<b>\$65,922</b>	<b>\$56,464</b>
Percent of Production			
Owner	15%	13.40%	10.60%
Relief	30%	36%	20%
Avg. Percent Production			
Owner	13%		
Relief	28.60%		

Figure 5. Breakdown of percent production received by owner and relief veterinarian. \*OTC/Dietary/Other was not included in these calculations as they were not assigned to the owner or relief veterinarian

## Central Animal Hospital Projections

	Tax Return 2021		2022 Projected	
<b>GROSS INCOME</b>				
Service Fees	654,200		834,100 (1)	
	<b>EXPENSE</b>	<b>%GROSS</b>	<b>EXPENSE</b>	<b>%GROSS</b>
<b>COST OF PROF. SERVICES</b>				
Drugs & Med Supplies	156,292	23.89%	157,644	18.9% (2)
Laboratory Costs	42,628	6.52%	46,042	5.52% (3)
Dietary Costs	9,822	1.50%	8341	1.0% (4)
Small Medical Equipment	0	0.00%	0	0
Ancillary Costs	7,429	1.14%	\$9,508.74	1.14%
Animal Disposal Costs	5,330	0.81%	6756.21	0.81%
	221,501	33.86%	228,292	27.40%
<b>GROSS PROFIT</b>	432,699	66.14%	605,808	72.60%
<b>OPERATING EXPENSES</b>				
<b>ADMINISTRATIVE EXPENSES</b>				
Accounting Costs	11,107	1.70%	14,179	1.70%
Advertising	9,691	1.48%	12,344	1.48%
Bank Charges	148	0.02%	166.82	0.02%
Business Consultations	504	0.08%	667.3	0.08%
Business Gifts & Flowers	40	0.01%	83.4	0.01%
Computer Expense	0	0.00%		
Credit Card Commissions	15,859	2.42%	20,185	2.42%
Legal Expense	0	0.00%		
Meals & Entertainment	676	0.10%	834.1	0.10%
Miscellaneous	0	0.00%		
Office Expense	4,609	0.70%	5,839	0.70%
Postage	411	0.06%	500.46	0.06%
Website Expense	0	0.00%	583.8	0.07% (5)
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	43,045	6.58%	54,799	6.57%
<b>COMPENSATION &amp; BENEFITS</b>				
Compensation of Officers	69,674	10.65%	96,000	11.51% (6)
Salaries & Wages				
Support Staff Compensation	180,160	27.54%	180,160	21.60%

Relief Veterinarians	16,330	2.50%	20,000	2.39% (7)
<b>TOTAL SALARIES &amp; WAGES</b>	266,164	40.69%	296,160	35.50%
<b>Benefits</b>				
Benefits Admin Expense	40	0.01%	40	0.01%
Dues & Subscriptions	478	0.07%	478	0.05%
Education & Training	1,764	0.27%	15,000	1.8% (8)
Employee Benefits	12,972	1.98%	12,972	1.50%
Payroll Service Fees	1,467	0.22%	1,467	0.17%
Recruiting Expense	0	0.00%	1000	0.11% (9)
Taxes & Licenses	14,832	2.27%	14,832	1.78%
Payroll Taxes	18,085	2.76%	18,085	2.10%
Travel	0	0.00%	1000	0.11% (10)
Uniforms	874	0.13%	874	0.10%
Workers Compensation	0	0.00%	0	0.00%
<b>TOTAL BENEFITS EXPENSE</b>	50,512	7.72%	65,748	7.82%
<b>TOTAL COMPENSATION &amp; BENEFITS</b>	316,676	48.41%	361,908	43.30%
<b>FACILITY &amp; EQUIPMENT COSTS</b>				
Rent	37,128	5.68%	37,128	4.45%
Cable/Internet	1,320	0.20%	1,320	0.15%
Equipment Rent	0	0.00%	0	0.00%
Insurance	1,494	0.23%	1,494	0.17%
Janitorial	5,773	0.88%	5,773	0.69%
Maintenance	2,879	0.44%	2,879	0.34%
Repairs	1,336	0.20%	1,336	0.16%
Service Contracts	5,521	0.84%	5,521	0.66%
Supplies	0	0.00%	0	0.00%
Telephone	4,259	0.65%	4,259	0.50%
Utilities	7,729	1.18%	7,729	0.92%
<b>TOTAL FACILITY &amp; EQUIPMENT COSTS</b>	67,439	10.31%	67,439	8.08%
<b>OTHER EXPENSES (INCOME)</b>				
Other Income	-4,683	-0.72%	-4,683	-0.72% (11)
Amortization	613	0.09%	613	0.09%
Depreciation	13,799	2.11%	13,799	2.11%
Equipment Replacement	0	0.00%	0	0.00%
Finance Charges	13,520	2.07%	13,520	2.07%
Interest	16,531	2.53%	16,531	2.53%
<b>TOTAL OTHER INCOME (Expense)</b>	39,780	6.08%	39,780	4.70%
<b>TOTAL OPERATING EXPENSES</b>	688,441	105.20%	752,218	90%
<b>Total Operating Income</b>	-34,241	-5.23%	<b>81,882</b>	<b>9.80%</b>

Figure 6. Central Animal Hospital Projections



(1). The 2022 projected revenue is taken from my "ACT breakdown and projections". This is formulated through establishing a preferred pathway to health, greater frequency in recommendations to clients paired with exceptional value. We assume an increase in compliance to dentals will aid in revenue generation. Our updates in marketing, specifically towards our geriatric patients will support an increase in number of patients seen/year.

(2 & 3). We have mildly elevated income/expense ratios for laboratory costs and assumed inefficiencies of acquiring drugs and medical supplies so the projection reflects a 1% decrease in costs associated with laboratory items as well as a 5% decrease in our drugs and medical supplies the first year out. This is done through standardizing an accurate and efficient ordering system and decreased waste on laboratory items through staff training and implemented preferred pathway to help. This will help to lower the overall Cost of Professional Services to be in alignment with benchmarks of financially healthy practices.

(4). Given our income/expense ratio was over 2x the benchmarks for dietary costs, projections reflect a 0.5% decrease our first year out. I would review the current diet mark-ups and ordering mechanisms to allow for me to decrease the ratio appropriately. "

(5). The website expense was calculated on the assumption that our current site would not aid in our value based experience. The allocation of \$583 was put towards this to have a 3rd party source from fiverr.com revamp the website to align this our value based hospital. Additions include an online pharmacy, patient portal and more as explained in the Social Media and Website section.

(6). The increase in my salary is to bring this number into alignment with the average amount a veterinarian is currently being paid based off my production and benchmarks. Although I could pay myself more, most of my profit will be put back into the staff and current hospital upon purchase.

(7). This amount reflects the changes as stated in the staffing section.

(8). \$15,000 will be allocated to a thirdy part culture retreat with the current staff to get to know one another personally. Although I plan on using \$15,000 from my start up practice loan, I budgeted for this in my projections as a precautionary measure.

(9). These funds will be allotted to recruiting through social media and hound.vet for the planned future expansion of the hospital.

(10). This amount is for the current parastaff to travel to conferences of their choosing, allowing them to pursue their passion within the veterinary space.

(11). We assume other income relates soley to over the counter non medical retail materials. As we will not be doing any boarding or grooming I would anticipate this category to not be more than 4-8% of my gross revenue simply because it is my intention to practice excellent medicine including nutritional medicine and that our preferred pathway to health will help us raise the sale of all preventatives and diets both in the exam room and through our website. This will ultimately result in our diet and preventative pharmaceuticals to be much higher on our revenue chart and will leave less income coming from products (ex: Feliway, dog collars, etc).

## Expansion Budget Projections

<b>Project budget</b>	<b>2,514,905\$</b>
<b>Construction Cost</b>	
Construction Cost (includes contingency)	2,000,000.00\$
Modular rent and fit out (6 months)	200,000\$
<b>Medical Equipment</b>	
Cages dispomed (cat ward)	6,500\$
Cages Casopet (treatment)	28,900\$
Cat scales x 3	180\$
Anesthesia machines x 2	13,700\$
Patient Warmer system x 1	1,000\$
Surgery table x 1	3,900\$
Run doors x2	2,180\$
Surgery lamp x 1	3,070\$
O2 outlets x 3	575\$
Scavenge outlet x 3	300\$
Contingency 10%	7,000\$
<b>Computing Infrastructure</b>	<b>20,000\$</b>
Hardware (computer, monitor, etc)	3,500\$
Alarm System	7,500\$
Cabling	17,000\$
Phone System	4,800\$
Contingency 10%	
<b>Furniture and Displays</b>	
Furniture {chairs, couch, tables, etc)	9,300\$
Appliances (fridge, freezer, etc)	1,500\$
Decor item	3,000\$
Montage Displays (1 jumbo x 6 wall mounts)	23,000\$
Blinds	20,000\$
Contingency 10%	8,000\$
<b>Professional Fees and Permits</b>	
Professional Fees (arch + struct. Engineer)	103,000\$
Project Management	16,000\$
Permit fees (1%)	24,000\$
Geotechnical report	5,000\$
total	148,000\$

Figure 7. Cost of expansion broken down by category

## Montage Display Images



Image 1.

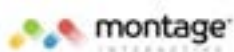
## Clinical Case Presentation



Whiteboard for Case Presentation

### Whiteboard

Presenting findings and recommendation for treatment can be sometimes tricky and confusing for pet owners. The result of an ACL tear, as an example, is difficult to convey. Plastic models don't quite get the message across effectively. Treatment such as a TPLO is even more difficult. The **Whiteboard** is designed to make this task as simple and impactful as possible. By selecting the desired medical illustration to demonstrate the problem and the desired procedural illustration, you are able to more clearly present your case and convert more exams to treatment. Our system features an entire library of anatomical images. You can also add your own images.



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You can import actual records and annotate directly on each as desired. One of the most powerful aspects of the Whiteboard lies in the fact that every presentation can be instantly emailed or texted to the client on the spot. This is very helpful when treatment is a family decision.

### Whiteboard DICOM Viewer

Instantly import and display any **DICOM** file directly on your Whiteboard. You can annotate/mark-up each image when you are describing the situation and instantly text or email the image to your client. Display one, two or four images on the same screen. You can simultaneously display any of our medical illustrations along side the x-rays to better demonstrate your point.



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Image 2.

## Client Education

Montage Interactive also has content specific to education.

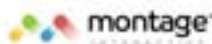
### Digital Brochure Library

The **Digital Brochure Library** includes over 100 professionally written documents. We feature Dog Care, Cat Care, Dog Nutrition, Cat Nutrition, Clinical Procedures, as well as information on Conditions, Problems, and Toxins. We are committed to continually adding more content as suggested by our users.

Share

Each brochure can be viewed directly on the screen, printed from Montage, emailed directly to the client or texted directly to the client.

Also included are Hills Pet Food, Royal Canin and Purina Food Nutrition brochures.



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## Dog Breed and Cat Breed Selectors/Compare Breeds



**Dog Breed and Cat Breed Selectors** are amongst our most popular widgets. The average practice sees clients and/or doctors accessing content over 500 instances per month. Both widgets feature valuable information on each breed including AKC statistics, grooming, and care information.



Dog Comparative Chart



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Image 3.

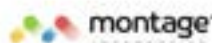


Dog Breed Selector

Note: Dog Breed widget features over 250 diseases. Each allows you to edit the information and add images as you see fit.

There is a list of "Common Problems and Diseases" associated with each breed.

This is primarily intended for the doctor to present to the client so they are aware of the potential challenges of each breed.



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Image 4.



## Additional Widgets for Client Education



### Calorie Counter

Provides a visual recommendation to a list of food products once the calculation or recommended daily caloric intake is displayed. Each has a link to a brochure on that product and can be instantly sent through text or email.



### Age Converter

A fun widget that converts dog and cat age to human years.



### Chocolate Toxins Meter

This meter replaces the cardboard wheel toxins chart. Clients can instantly scale the effect of a variety of chocolate products on their pet/s.



### Longevity Meter

Compares the longevity of 13 dog breeds who are normal/fit vs. overweight. Shows the detriment of overfeeding and how it affects a dog's life.



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Image 5.

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Image 6.

## Social Media Powerhouse

Montage Interactive provides one of the most dynamic and powerful social media conduits in the business. If you believe that social media is a viable tool to build awareness and grow your practice, then Montage is your solution.



Your practice logo and website is embedded into each photo.

Send to:

202-555-0191



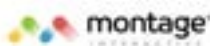
On average, every client post on Facebook and Instagram can be seen by 444 or more potential clients.



## Photo Booth and Photo Gallery

One of the most utilized widgets is the photo booth, averaging over 250 photo captures each month per practice. Clients love their pets and taking photos of them. Photos can instantly be shared via email or text directly from the Montage board. Photos can also be automatically

posted to your website or uploaded to your Social Media feed. This is an excellent tool for SECI Reviews can also be captured on your Montage board. The back-end system manages each review and automates the posting process.



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Image 7.

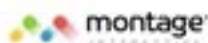


**PLAY FOR FUN, OR  
PLAY COMPETITIVE TRIVIA  
FOR PRIZES!**

## Client Entertainment Wazup Trivia

**Wazup Trivia** is the most utilized widget. It features a couple of options to play, whether for fun with "Fun Trivia", or competitively to win prizes with "Competitive Trivia". There are over 200 games and 7500 questions currently, so there is something for everyone. You have full control over which version, what prizes, and which games you would like displayed.

We are trending over 2.2 million trivia interactions annually. Clients love trivia and there is no better way to keep them occupied while they wait for the doctor or staff. You can turn a, "It takes forever at Dr. Smith's practice," into, "We had a blast at Dr. Smith's today with the trivia games!"



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Image 8.



## Our Business Model

### How do you implement Montage into your practice and how does it work?

We offer 2 distinct models, each is priced according to size.



Wall Mount Board

As for hardware, we recommend that each exam room be outfitted with a wall mount board. Choose between a 27", 32", 43" or 55" horizontal wall mount board. 80% of our users choose the 43" wall mount as it is not overpowering and provides the surface area necessary to make an impression. These are easily installed and require only power and an internet connection.

For the reception area, we recommend the 43" or 55" standalone Jumbo Smartphone.

The Software is the second piece to the puzzle. This is the subscription piece. The subscription is monthly per unit.



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Jumbo Smartphone



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Image 9.

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