Selling or Buying a Veterinary Practice?

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-valuations
• Practice sales
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• Financial assistance to buyers
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• Business consultations

NOW IS THE TIME TO BUY OR SELL A VETERINARY PRACTICE OR PRACTICE INTERESTS AND/or LAND FOR BUIY!
Buying a Practice? 3 Ways to Prepare for Financing
By: Patrick Spach, Live Oak Bank

From selecting the right practice to securing financing, acquiring a veterinary practice requires planning and patience, but becoming an owner is one of the best ways to maximize your degree and build net worth. Here are a few tips from our team to prepare for and secure financing.

1. **Understand Your Financial Position**
   - Obtaining a loan to purchase a business is fundamentally different than many of the loans veterinarians have previously received. For most consumer loans the income to make the payments on the loan is coming from a separate source. However, for a veterinarian purchasing a practice, the loan is being obtained to buy an asset that is generating the income that will pay back the loan. Thus, the practice needs to generate enough earnings each year to make the monthly loan payments, cover a reasonable salary for you and some cushion for savings.
   - This is where your personal financial situation comes into play. Your yearly personal obligations determine the salary amount you will need to take from the business. During the loan pre-qualification stage, your credit report will be pulled. Part of the analysis will include looking at the payments you owe to other creditors, including your mortgage payment, any car payments, student loan payments, etc. We want to make sure the business can pay you a reasonable salary that is at least a 50% Debt to Income Ratio. Thus, your personal obligations influence the size of practice you buy.
   - For instance, if your total payments in a year for your personal vehicles, house, and student loans total more than $50,000, we would calculate your owner’s compensation at a minimum of $100,000. The Net Operating Income of the practice needs to support both the debt associated with the purchase price and owner’s compensation.

About the Author
Patrick Spach – General Manager of Veterinary Lending
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Patrick Spach serves as the General Manager of the Veterinary Lending Team. He originally joined Live Oak Bank in 2013 on the Investment Advisory Lending team. With his depth of knowledge in lending, he guides veterinarians through the loan process, aiding their growth and success.

Selling Your Practice?
A Few Tips from the Experts

We Know the Business
Total Practice Solutions Group (TPSG) understands the demands of Veterinary medicine. We are a nationwide team providing not only brokerage services for sellers but also valuations and assistance with loans for buyers. Our network of attorneys, accountants, and lenders will help sellers and buyers in the transition process.

Preparing Your Practice to Sell
The best time to improve the value of your practice is now. Keep good financial records, report all of your income to maximize the value of your practice, keep your office and equipment well maintained, and continue to grow your practice. Financial statements should go back three or more years to determine growth patterns, but it is very important to continue to show growth even after your practice is listed on the market.

Appraisal
We confidentially determine the fair market value of your veterinary business by analyzing the practice’s historical operations and future profitability. There are a variety of valuation methods and we will determine the best method to accurately appraise the value of your tangible assets (building, equipment, and inventory) and intangible assets (reputation of the clinic, opportunities to grow, and the benefit of acquiring an established business with staff and clients).

Marketing Your Practice
Our team will prepare a professional write up about your office, including financial highlights, history and growth opportunities, and detailed demographics. A thorough presentation of your practice improves your chances for a successful and timely sale.

Negotiations
Our role will be assisting both sides to reach a mutual agreement. We strive to make sure that the seller always is knowledgeable and receives the best tax consequences from the sale of the practice. You always maintain the final decision in choosing a buyer and sales price. You can choose to counter or accept an offer.

Closing
Closings are usually the most difficult part of the transaction. We will assist everyone to make the closing flow as smoothly as possible and assist you in obtaining all needed information as we coordinate attorneys, lenders, appraisers, escrow agents, and accountants for both sides. Our goal is to develop an exit strategy that promotes a smooth transition during the closing.