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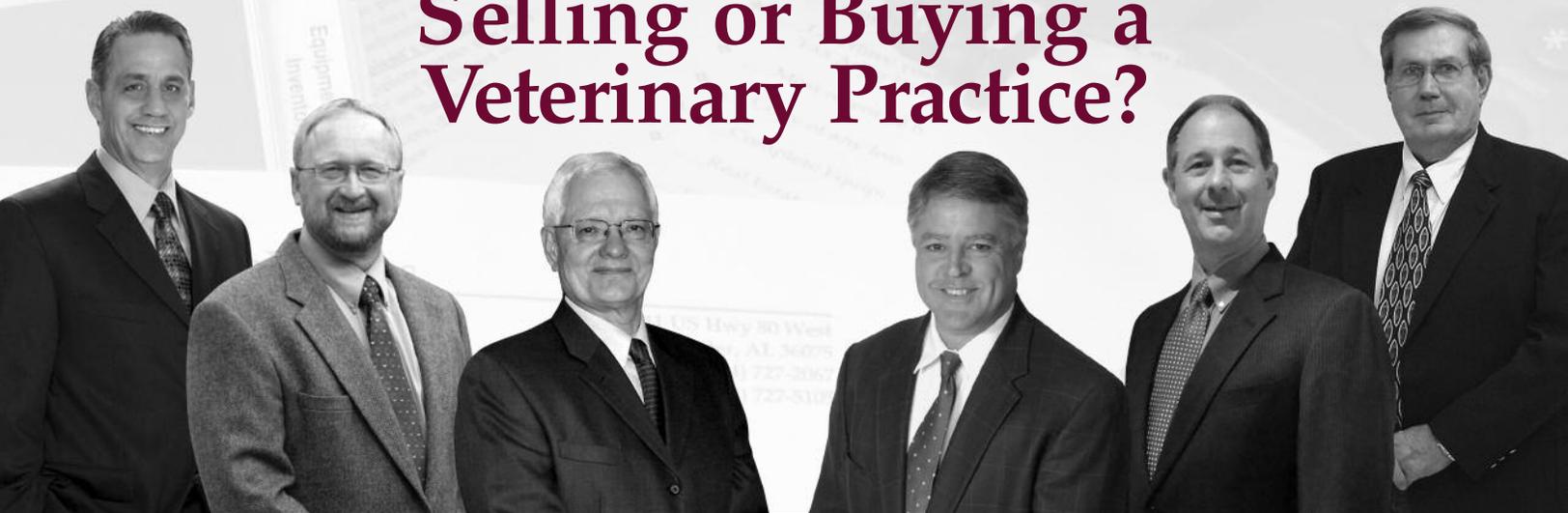
Veterinary Practice Sales

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*Veterinary practice brokers focused  
on the financial success and growth  
of fellow veterinary professionals.*

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# Selling or Buying a Veterinary Practice?



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[www.TotalPracticeSolutionsGroup.com](http://www.TotalPracticeSolutionsGroup.com)  
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## Financing in Today's Economy – Fact vs Fiction & Other Interesting Tales...

**F**or the last year and a half the media has made ratings history telling consumers and small business owners alike that access to capital is next to impossible. I'm here to tell you this is true---for virtually every other group except Veterinarians.

It remains true, even in these late stages of the worst recession since the Great Depression, that veterinarians are one of the best risks to finance. Banks have long held that this profession is blessed in two ways: their patients continue to require care even when money is tight, and the character and work ethic of veterinarians has proven to be one that will work as long and hard as it takes to pay their bills and make good on their obligations. Whether you are associating and thinking about starting your own practice, buying an existing hospital, bursting at the seams and need to expand, or purchasing commercial real estate...you should know that the money IS available.

Now that you understand your next step is within reach, here are a few key points to help you prepare:

**Credit** – Although banks are still willing to lend to veterinarians more than other small businesses, the credit criteria is more important than ever. On average, banks are increasing their minimum FICO score criteria for consideration by 20% or more. A common mistake since the housing bubble burst is the number of clients who were advised to stop paying their mortgage to apply for a balance reduction. Although, this may help restructure your consumer debt, banks will look at this as a character concern the next time you need financing. Bank's perspective: If you're willing to stop paying for your home, what would you do with your business loan?

**Liquidity** – Banks define liquidity as funds available immediately. The amount of liquidity a bank may expect you to have is based on your time of licensure and salary history. The expectation being that a DVM who has owned their practice for 30 years should have more liquid assets than one who has been licensed 3 years and makes \$75,000 annually as an associate. The more liquidity you can show on your personal financial statement the greater leverage and opportunity you will have in obtaining financing. The name of the game in this lending environment is: if a bank wants to lend you the money, keep your own and use theirs.

**Million Dollar+ Loans** – "That practice is selling for \$1MM+... I can't afford that kind of debt!" If I had a nickel for every time I heard that rationale.

There is a very common misconception in the industry that a high dollar sales price automatically excludes the average buyer. In reality, the most important criteria is whether the

venture will be able to support its' own debt as well as the borrower's personal obligations and still show cash flow. A practice grossing \$600,000+ is typically more able to support your lifestyle than one that hasn't reached that level yet. When performing your due diligence on a new project, concentrate more on the clinical philosophy, location, and culture fit...if these ingredients add up, it's likely the financing and your future happiness will fall into place along with them.

So many banks, so little time! With some direction you can make an informed decision for yourself. Below are some primary considerations:

- 1. SBA Loans:** Adjustable rates and 10-15% equity injection as a combination of buyer down payment and/or seller financing. Onerous prepayment penalty and 2%-3% in fees. More aggressive lending criteria due to less risk and longer amortizations.
- 2. Conventional Loans:** Typically fixed rates, more flexible terms than SBA. Minimal fees and 100% financing up to 90% of the subject practices gross sales. More conservative lending approach.
- 3. Term:** This is a crucial consideration. The longer the term, the better your cash flow. You should look to keep your payment obligations as low as possible while maintaining the control to pay down the loan when it makes sense and when the extra cash flow permits.
- 4. Rate:** We are in a rising rate environment. The ability to fix your rate will save you a lot of anxiety in the near future.
- 5. Prepayment Penalty vs. Principal Reduction:** A **pre-payment penalty** means a fee that is charged to pay off your loan (can be 1%-5%). **Principal Reduction** is the ability to pay more than your monthly obligation as you see fit.
- 6. Support:** What support beyond writing you a check does your lender offer? What is their philosophy if your ability to pay ever changes? Who services your loan after the closing? These things may seem very small in the heat of the approval process, but could save you a significant amount of time, money, and energy throughout the lifetime of your loan.

**Last But Not least. Approvals:** ALWAYS COMPARE LENDER APPROVALS, NOT PROPOSALS BEFORE MAKING A DECISION. A PROPOSAL CAN CHANGE.

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# A Strategy for Selling Your Practice.

**Y**ou are thinking about selling your practice. However, you are not sure about the process and, more importantly, the steps you should be taking to insure a successful sale.

In a word- Profitability will be one of the most important factors that will determine the successful sale of your practice. Profitability or cash flow will not only determine the price your practice sells for but, more importantly, whether your practice can be sold.



Desirable practices have two common denominators. One factor is a desirable location. The other denominator is having an excellent cash flow or profitability. Since one cannot change, appreciably, a practice location. One must concentrate on influencing the cash flow because that factor is in your control.

So what determines if a practice has an excellent cash flow or is profitable? Let's take a moment and see how cash flow, profitability and desirability are interconnected.

While a large gross revenue stream is certainly important, 600K-800K per doctor, what is just as important, is what percent of gross revenue is left for the cash flow of the practice. Cash flow is defined as the amount of gross revenue, after deducting normal expenses that is left to pay doctor salaries and benefits along with the net profit of the practice.

Profitable practices will cash flow 35% to 40% of gross revenue. In other words a 600K grossing practice, cash flowing at 40%, will allow the owner to take home 240K in salary, benefits and net profit at the end of the year. It is important to understand that an excellent cash flow makes a practice profitable, desirable and saleable.

As brokers we have found profitability of a practice will be greatly diminished by the following:

- Missed charges for services provided.
- Unrealistic low fees structure for professional services provided.
- Poor utilization of help leading to a bloated payroll.
- Selling products without proper markup resulting in a bloated C.O.G.S.
- Last but not least is the lack of doctor availability or spending too much time away from the practice.

Extended weekends, vacations, and reduced appointment hours, that many times are caused by burnout, will start a decline in practice revenue.

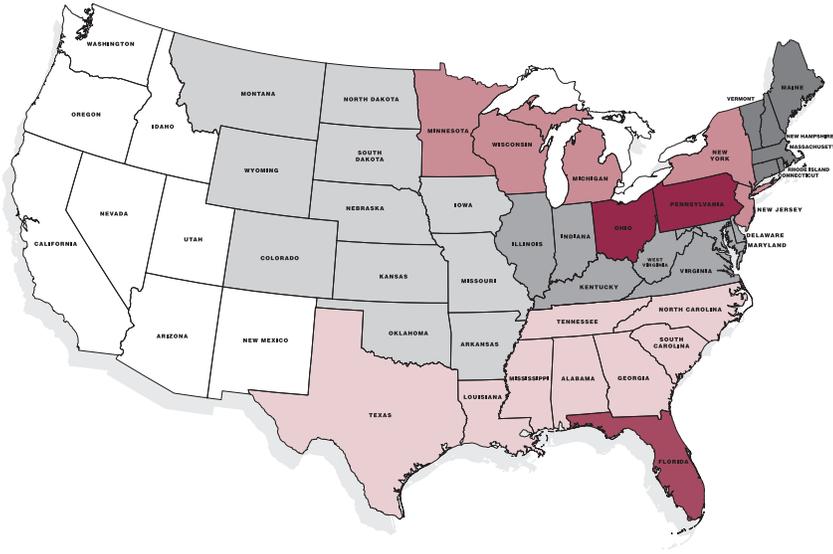
The combination of any of the above factors, along with the loss of growth to keep up with inflation, can result in a reduced cash flow and very unprofitable bottom line very quickly.

So how do you prepare to get your practice ready to go to market? Not by painting walls or replacing a piece of older equipment. But, get ready, by keeping your foot on the practice growth accelerator and installing management decisions that will result in a profitable cash flowing practice. Pushing down on the practice accelerator will allow you to not only reap the present day profits but, more importantly, to prepare your practice for a successful sale.



So when you are contemplating the sale of your practice. Contact a TPSG broker ahead of time. Allow us to give you an appraisal and see where you are financially in your practices cash flow. Let us advise you on how to best prepare for what, in most cases, will be the biggest asset sale of your professional career!

**For information: Contact the Total Practice Solutions Group Associate in your area of interest**



- Len Jones, DVM – 334.727.2067
- David D. Davenport, DVM – 816.331.9449
- George R. Sikora, DVM – 419.945.2408  
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**Dr. Kurt Liljeberg – 800.380.6872 – kurt@tpsgsales.com**  
MN, WI, MI, OH, NY, PA, NJ

- WI- Wausau area – SA, gross \$592K. Px and RE for easy sale at \$610K.
- WI- Kenosha/Racine area – Gross \$547K, Priced at \$425K. Great RE lease.
- NEW! SW WI near Iowa line – Gross near \$400K, Practice and RE for \$450K.
- MI- NE of Muskegon – Practice price \$190K in beautiful leased facility.
- NEW!! OH- Summit County – Gross \$1.5MM. Great cash flow in this multidocor practice. Excellent location near high density retail.
- OH- Shaker Hts. – Gross over \$600K. Quality medicine, remodeled facility.
- NY- New listing western NY. – 2009 revenue \$504K, call for more details.
- NJ- Monmouth area – Gross \$475K, Practice with RE price only \$715K.

**Dr. Dave Davenport – 816.331.9449 – dave@tpsgsales.com**  
MT, WY, CO, ND, SD, NE, KS, OK, IA, MO, AR

- North Central, AR – Practice grossing over \$790k
- Springfield, MO – Remodeled office. Great Demographics. Gross \$230k
- South Ozark Area, MO – Small practice in free standing building. Gross over \$850k!!
- St Louis, MO – Gross 400k annually
- South Dakota – 95% SA \$1.6 million Gross

**Dr. John Bryk – 330.636.6970 – john@tpsgsales.com**  
CT, MA, ME, NH, RI, VT

- We have fewer available practices and many active buyers in the New England Area. Even in this economy we are experiencing a large number of buyers looking to buy practices. If you are thinking of SELLING, or would like an exit strategy, Contact us at TPSG
- Coming soon-Boston MA. Suburb – S/A practice with Real Estate Practice has great upside potential! Seller is motivated.

**Dr. Richard Alker – 850.814.9962 – richard@tpsgsales.com**  
FL

- Central Florida area....Profitable Practice...Great Location. Newly remodeled hospital...well equipped. Call for details.
- North Florida – Premier 2-21/2 Dr. Practice. 2009 gross \$1.3 million. 4000 sq. ft. newly remodeled, great facility. This one will go quick.
- Practice owners – we have buyers calling for quality Practices to purchase. Now is a good time to call if you want to sell.

**Dr. George Sikora – 419.945.2408 – george@tpsgsales.com**  
IL, IN, OH, KY, WV, VA, PA, DE, MD

- Erie, PA-\$525Gross – 4day/wk. RE.5,000sq/ft. BUY BOTH FOR 800K
- N/W, Pittsburg, PA – Gross 1.8M 2010. RE 5,000sq/ft. Buy Both
- Somerset, PA. SA/EQ – Beautiful Acreage-RE. Gross 800k
- S/E Cleveland-sub. Ohio – Gross 900K. Vet/Econ Award Hosp.
- Anderson, Ind – Gross 1M in 2010. With RE. GREAT-growth potential. General & adjoining-specialty spay-neuter practice.
- Southwest-Virginia – S/A gross \$500k plus. RE available.
- S/W Cleveland sub – Gross 300K RE. available.

**Dr. Len Jones – 334.727.2067 – len@tpsgsales.com**  
TX, LA, MS, AL, GA, SC, NC, TN, FL

- TN – North of Nashville, mixed animal, excellent facility. Gross \$600K+
- AL – Great Community. Wonderful opportunity. Start-up location with existing facility. Ready for new owner.
- Houston, TX – Inside the loop, Gross \$800K+. Beautiful facility.
- New Listing! Birmingham, AL area – Excellent opportunity to own a practice
- MS – New Listing – South of Memphis. Practice grossing \$420,000+. Beautiful “brand new” bldg, excellent equip, and very nice community. Priced to sell!