

Practice Tips

"Price Checkers" Usually Aren't!

Often, they are simply pet owners attempting to choose a new veterinarian, and price is the only piece of information they know to use for comparison. And if everything else were equal, price would be a valid means of comparison. Therefore, treat "price checkers" for what they usually are—conscientious pet owners trying to make the best choice for their pets. Engage the caller in a conversation about their pet and its needs and offer the price last. This will show the caller that you are interested in them and their pet and that your clinic cares. If they are able to perceive more value at your clinic than at others, price will quickly diminish in importance. Since these calls do take some time, it may be wise to get a name and number and call back when you have a bit more time. That will also allow you get an address to mail a small packet of information about the clinic. These people are worth the time. Many of these callers can be converted to clients since there are no more likely new clients than pet owners who call YOU!

Put Those Clinic Cats to Work.

Many clinics already have clinic cats, dogs, birds, etc. Consider creating special business cards for these "helpers" for use in recheck appointments, referral rewards, etc. Feature their pictures in clinic brochures, newsletters, and newspaper columns.

What others say...

"I was very happy with the expertise shown by Simmons & Associates in the sale of my practice. Due to their knowledge in evaluating and problem solving, we closed in 3 months. I understand this is a little unusual. Thank you Dr. King."

Perry Sheets, DVM

"I am certain that if you were not in the equation, the deal would not have occurred. Your patience, experience and persistence were a requirement for this sale to have been executed. Thanks again for a job well done!"

Dr. T.J. Dunn

"Dr. Gerber followed up on every one of his promises."

Jon Pennell, DVM,

"Thank you Larry and Sue Wiseman, for taking time to understand our facilitation situation. You expedited the practice evaluation and guided us down the right path to obtaining financing. We always felt like we knew exactly what to do and when to do it. We closed and became owners in less than eight weeks. We don't believe we could have done this without you!"

Dale and Kim Anders

Let's Talk!

SEMINARS & PRESENTATIONS
BY SIMMONS & ASSOCIATES

Upcoming Presentations and Seminars

DC Academy of Veterinary Medicine

November 4, 2004; Washington, DC
David McCormick of the Mid-Atlantic territory will be attending this one-day session and will have a table in the exhibit area. Private consultations are available by appointment.

Delaware Valley Academy of Veterinary Medicine

November 10, 2004; Conshohocken, PA
David McCormick of the Mid-Atlantic territory will be attending this one-day session and will have a table in the exhibit area. To schedule private consultations call 888-881-7084.

WSU Veterinary Business Management Association

November 10, 2004; Pullman, WA
Dr. Dave Gerber will present a three-hour class in the business certification program for DVM students. Topics will include: "You're a Great Doctor—So What?" "Can I, Should I, or Do I Even Want to Own a Practice?"

Portland VMA

November 11, 2004; Portland, OR
Dr. Dave Gerber will present "The Great Giveaway—Why Buy-ins Can Be Very Costly to Practice Owners."

The Colonial Veterinary Conference

December 2-5, 2004; Williamsburg, VA
David & Larry McCormick will be attending the conference and will have a booth in the exhibit hall. Stop by with questions or to discuss planning for the sale of your practice. We have more buyers than listings! To schedule private consultations call 888-881-7084.

North American Veterinary Conference

January 8-12, 2005; Orlando, FL
David & Larry McCormick will be a part of the team at the Simmons & Associates booth #2013. David will be leading a wet lab on demographic analyses for veterinary practices and presenting a session on practice management issues.

AAHA's Art of Veterinary Practice Success

February 1-4, 2005; Denver, CO
David McCormick is on the team that teaches AAHA's Art of Veterinary Practice: Success for Life. This excellent program is

ideal for practitioners who are interested in improving client and co-worker communication, refining personal career goals, honing their vision as veterinarians, learning how to offer superior service and becoming more financially successful, both professionally and personally. For more information visit www.aahanet.org.

Topics to be Announced

February 10-15, 2005; Key West, FL
Dr. Dick Goebel will be presenting at the Purdue University School of Medicine's "The Winter Colloquy at Key West"

Western Veterinary Conference

February 21-24, 2005; Las Vegas, NV
Stop by the Simmons & Associates booth #834 for more information or just to visit.

Is My Educational Debt a Barrier to Buying a Practice?

February 26, 2005; Columbus, OH
Dr. Dick Goebel will be presenting "Buying a Solo Practice: Use Your Resume, Not Cash!" at the Midwest Veterinary Conference.

Planning Ahead for Your Practice Exit

February 26, 2005; Columbus, OH
Dr. Dick Goebel will be answering the questions: "What options do I have for practice ownership transition? How do I exit and make a transition smoothly and profitably from my solo practice?"

Midwest Veterinary Conference. Merger and Acquisition:

February 26, 2005; Columbus, OH
A Strategy for Shaping Up and then Exiting. Find out if you could benefit from a merger or acquisition. Dr. Dick Goebel will address this topic at the Midwest Veterinary Conference.

Veterinary Practice Marketing: Dynamics, Valuation and Facilitating the Sale

February 27, 2005; West Lafayette, IN
Dr. Dick Goebel will be presenting at the Veterinary Management Institute, Purdue University.

Extreme Management

March 21-22, 2005; Baltimore, MD
Attend a facilitated discussion day with Dr. Dick Goebel and Dr. Stan Creighton as a follow-up to a keynote address and workshop by Steven S. Little at the AAHA annual meeting 2005.



Advice and Opportunities from the Nation's Premier Broker of Veterinary Practices /FALL 2004

Question & Answer

IS EDUCATIONAL DEBT A BARRIER TO BUYING A PRACTICE?

We often read and hear that rising educational debt means that no recent graduate can buy a practice. The S&A experience finds that this is rarely true!

Educational debt is regarded by most lenders as "good debt" on a par with home mortgage borrowing. "Bad debt", such as credit card debt and retail charge cards, is more likely to be a red flag for lenders.

Buyers need work experience—typically no more than two years, "clean" credit, and little or no cash to buy nearly any practice that has healthy cash flow. Clean credit does not necessarily refer to the size of (educational and mortgage) debt, but rather is a reflection of making timely payments on debt that exists. Most credit scoring agencies render a numerical score that is often referred to as a FICO score. If this score is between 650 and 700 or higher, the borrower is usually able to borrow for a practice acquisition.

Educational debt's only effect on a loan application is the size of the monthly payment and its affect on cash flow. The lender looks at practice cash flow, subtracts the salary needed to support the buyer's current lifestyle and personal debt service, subtracts a modest safety margin amount, and then subtracts the amount required to service the practice loan. If the remaining amount is a positive number, the loan is likely to be approved.

Educational debt is rarely a barrier to buying a practice. In fact, buying a practice can accelerate the retirement of educational debt!

Simmons & Associates Times

Significant Growth Likely the First Year of New Ownership

Among the worries a new owner has regarding his/her purchase of a veterinary practice is whether the income is going to continue as it has. Indeed, this may be the biggest worry of all for lenders and buyers alike. Rest assured that as a new buyer you are likely to do fine the first year. Indeed, you may surprise yourself at how well you will do.

For many years now, Simmons & Associates has maintained a set of data pertaining to the sale and appraisals of veterinary practices. This data is illuminating in many ways and is a tremendous aid toward refining our appraisals and marketing price for practices. Perhaps one of the most surprising and comforting data set is the "G12," or Gross Revenues 12 months later. This data set is obtained from buyers of practices to determine their income for the first year following the purchase of the practice. For analysis purposes, we like to compare it to the last year's gross revenues prior to purchase. In a nutshell, the average increase in gross revenues the first year under new ownership is 12.5%.

Although one may speculate as to why this happens, based on our long standing set of data, one cannot speculate whether it is likely to happen. Most practices at the time of sale may not be growing to their fullest potential due to some fatigue by the current owner in aggressively marketing the practice. In many cases, the selling veterinarian has little debt and is comfortably riding the practice without having the financial need to grow it. As well, the selling veterinarian may not be well versed in new techniques and diagnostics and thus may not have the knowledge, or the desire to gain the knowledge, to offer

new services. The new buyer on the other hand, is usually incredibly energetic. Not only are new buyers typically younger than the selling veterinarian, but they are extremely excited about their new autonomy and ability to practice according to their own desires and interests. The debt service is also motivating in focusing the new buyers' energies towards providing increased services and enhancements including technology, computer, more current therapy and diagnostic modes, and so on so that all combine to generally enhance the financial performance of the practice. Existing clients respond well to the "new life" of the practice, and a well spring of untapped opportunity is the result.

Although Simmons & Associates has no data indicating loss or gain of new clients in the first year of new ownership, new and prospective buyers, along with the lenders and buyer consultants, can be assured that significant growth is likely in the first year of new ownership of a practice.

This does not mean every practice will grow. For instance, those practices with historical loss of practice revenue over several years should be examined closely regarding the demographics of the area. If income is declining, population is declining, and the practice is in a state of gross obsolescence, new buyers may have an uphill battle to revitalize the practice. However, don't underestimate your ability to re-vitalize even a declining practice, particularly if the selling veterinarian has become too comfortable with his/her existing income or too distant from more current modes of therapy and diagnostics. It just may be your "Diamond in the Rough".

In Series...

Practice Appraisals: Increasing Value

This is the last of our series on Practice Appraisals. Having examined the history of appraisals, the factors that influence value and the importance of profitability, we now look at *increasing your practice value.*

Remember from last time that profitability is the main driver of practice value, and the more profitable the practice, the greater the practice value. "Profit" refers to the dollars a practice owner receives after paying all the normal costs of operation including the often unaccounted for expenses of fair market facility rent and compensation of the owner for their work as the managing doctor. Not surprisingly, to increase profits you must either decrease expenses or increase revenue.

Decreasing expenses is often the first area that practice owners look at when seeking to increase profits. However, unless there are serious issues in the expenses (e.g. inventory mismanagement, staff inefficiencies, etc.) the amount of change you can make is limited. If the expenses are properly managed there is usually little room for improvement and doing more can damage the practice.

Increasing revenues is the most direct and long-lasting way to increase profits. While it can be done by adjusting the fee schedule, it is not the only route. Improved financial health can best be achieved by grounding your practice in the delivery of quality services. In other words, work-up cases properly, avoid short-cuts, do the appropriate diagnostics, then record and charge for the services while minimizing the give-aways and discounts. Make sure that the existing fee schedule is being used correctly and completely by the entire staff.

If the practice can handle additional clients, then plan the steps needed to attract new clients. You can also increase revenue by providing additional services or by increasing the utilization of current services that have been overlooked such as dentistry and wellness care.

Improving your practice and its profitability will lead to increasing its value. Coincidentally, it usually also leads to an improvement in the level of client service that you provide!

The Simmons & Associates HANDSHAKE



Dick Goebel

Dick Goebel, DVM and his wife, Michele, established their Simmons & Associates Great Lakes (SAGL) office in 1997. Immediately prior to joining Simmons, Dick was the hospital director at Purdue University School of Veterinary Medicine. He brings a tremendous amount of knowledge and experience to Simmons & Associates. In addition to the experience at Purdue, he has been a veterinary practice owner since graduation from veterinary school and currently shares ownership in



Dick with his Granddaughter Callie

the Magrane Pet Medical Center in Mishawaka, Indiana, an AAHA Accredited Hospital since 1942. Dick has also been honored by Indiana Veterinary Medical Association Veterinarian of the Year Award, the AAHA Award and as AAHA Practitioner of the Year.

Michele Goebel earned her Masters of Science in Management in recent years and finds plenty of



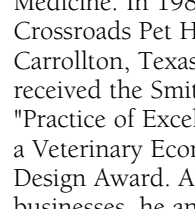
Michele Goebel

applications in her role as Vice President of SAGL. She is currently President Elect of the Indiana VMA Auxiliary.

Despite all of their numerous career accomplishments, Dick and Michele feel their best contribution to the world is their four grand-

children—Callie, Zoe, Olivia and Seth. When not working you can find Dick and Michele boating and fishing on Lake Freeman which has just this year become the location of their home in Monticello...and of course playing with those grand kids.

David King, DVM joined Simmons & Associates in 1997 with the acquisition of the Southcentral office. David is a 1987 graduate of Texas A&M University College of Veterinary



David King

Medicine. In 1989, he founded Crossroads Pet Hospital in Carrollton, Texas, where he received the SmithKline Beecham "Practice of Excellence" award and a Veterinary Economics Hospital Design Award. Among his other businesses, he and his wife Teresa own Bar King Ranch where they raise award-winning llamas; he also recently founded Golden Opportunity Veterinary Rescue Organization which provides veterinary services to breed rescue organizations.



A sample of David's collection; L-R '58 Corvette, '67 Corvette 427, and a Camaro Z28SS.

As much as David enjoys his work at Simmons, his real passion is cars, especially Corvettes. If not working you will probably find him driving, restoring or collecting something related to the automobile. Feel free to call his office anytime to talk about practice acquisitions or cars.

Featured Practices for Sale

SELECTED LISTINGS FROM OUR CURRENT DATABASE OF AVAILABLE PRACTICES

A SOUTHEAST

Doyle Watson, DVM
800-333-1984

FLORIDA

Incredible new listing in very desirable Tampa area. Phenomenal area growth offers continued success for this practice which is already grossing ~\$600K! Florida's West Coast is in high demand and this gem is not expected to last long! (FL8C)

FLORIDA

Emergency practice situated in sunny Florida! Very nice leased plaza facility, excellent growth. This is the closest emergency clinic to the most affluent areas in the region. Excellent reputation and relationship with referring practices! Call for details! (FL5C)

NORTH CAROLINA

Mixed practice (85% SA). Equine doctor will stay and do all large animal in addition to seeing small animal clientele! This practice was up 10% in 2002 and 14% in 2003! A new owner can expect an income in the \$200K+ range after debt service. Practice, barns, paddocks, beautiful, spacious home and immaculately manicured grounds make this a super package deal! (NC6A)

B SOUTH CENTRAL

David King, DVM 800-982-8033

TEXAS

New Listing! San Antonio area! High quality, award-winning mixed animal practice with outstanding facilities. Price \$1.5M with RE. (TX-64CS)

TEXAS

New Listing! South Texas near San Antonio. Mixed animal practice with high cash flow in growing area. Price with RE \$515K (TX-74SP)

ARIZONA

New Listing! SA practice in northern Arkansas. Very attractive facility. Price with RE \$360K (AR-94HB)

C SOUTHWEST

Byron Farquer, DVM
Dardalee Bussell, DVM 877-315-1954

ARIZONA

1+ DVM, 100% SA. 1 hr north of Phoenix in a charming small community. 4 season climate. 2003 Gross \$464K. Practice price \$325K. RE lease/option. (AZ-N8)

ARIZONA

SW Arizona. Huge facility, best value in Arizona. Great weather, golf, recreation. 1+DVM, SA. 2003 gross > \$325K. Practice \$210K. Great weather! (AZ-SW1)

NEW MEXICO

New! Albuquerque area. 100% SA. Gross ave. \$500K. Newer facility, good equipment computerized, rapid growth area. Practice price \$350K RE = \$600K (NM4)

D PACIFIC

Byron Farquer, DVM
Dardalee Bussell, DVM 877-315-1954

CALIFORNIA

New! East Sacramento area. 1 DVM, Gross \$400K and growing. Buyer's after debt income >\$100,000. Practice price \$310K (NC8)

CALIFORNIA

New! Madera area. 1.5 DVM 100%SA. 3500sq ft. newer facility. 2003 gross > \$764K Practice price = \$615K RE \$400K. (CC10)

CALIFORNIA

Oakland Area. 2 DVM SA 4,000 sq.ft. building. 2003 Gross = \$1.3M. Practice Price = \$1.0M, Real Estate = \$540K. (BA4)

E NORTHWEST

David Gerber, DVM 800-846-0062

OREGON

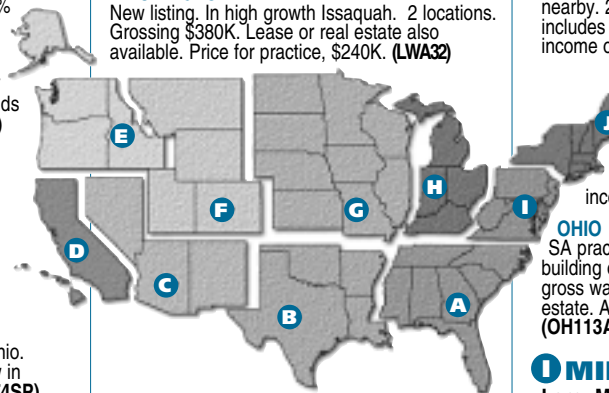
New Listing. Aloha (SW Portland). Small animal practice in free-standing facility. Well-equipped. 1 DVM practice. Projected 2004 gross, \$495K. Price for practice and real estate, \$525K. (LOR38)

WASHINGTON

New listing. Great area of Spokane. Compact, efficient clinic, grossing \$560K. Lease real estate with option to buy. Price for practice, \$545K. (LWA33)

WASHINGTON

New listing. In high growth Issaquah. 2 locations. Grossing \$380K. Lease or real estate also available. Price for practice, \$240K. (LWA32)



F INTERMOUNTAIN

Larry J. Wiseman, DVM
Sue L. Wiseman, DVM 800-923-2224

COLORADO

New listing, Ski-Golf-Fish! Highly desirable small mountain community near ski area with great growth potential. SA with some EQ in 3500 SF on 2.5 prime lots. Projected 2004 gross \$300K. After debt income \$65K. Practice, \$200K, real estate, \$300K, total price, \$500K. (LCO09)

COLORADO

Mountain resort town, tremendous growth, 1560 SF leasehold. SA. 2003 gross 280K. After debt income \$70K. Price \$250K. (LCO08)

COLORADO

Denver SA. 3000 SF clinic and 19K SF lot. Must Sell. Price reduced \$500K. Qualified buyers can buy with no down payment. (LCO06)

G MIDWEST

Ken Ehlen, DVM 877-322-6465

ILLINOIS

Chicago - western suburb. New Listing! Certified AAHA member hospital located in one of Chicago's best suburban areas. Established 1974, modern up to date facility, situated on one acre (+/-). Projected 2004 gross \$800,000. The best of life-style and practice opportunities. (MW146)

WISCONSIN

Minneapolis/St. Paul area. New Listing! Well established, small animal practice with real estate. Well located, great exposure on a busy street. Enjoy community living with big city amenities close by. Gross \$350,000. Practice and real estate, both for only \$425,000. (MW144)

MISSOURI

Southwest area. New Listing! Super opportunity to own well established, yet still growing small animal practice with real estate. Great cash flow! 2003 gross \$770,000. Don't miss this one! (MW145)

ILLINOIS

Chicago - northwest suburb. Rare opportunity to own one of Chicago's best rated veterinary hospitals. This well established three veterinarian practice is excellently located with great street exposure. Leased real estate with purchase possibilities. \$850,000. (MW143)

H GREAT LAKES

Dick Goebel, DVM, Michele Goebel, MSM
Bob Ferguson, DVM 888-746-3717

INDIANA

New Listing! SA practice in NW IN suburban small city. Emergency and specialty referral services nearby. 2003 gross \$621K. Price of \$747K includes valuable real estate. After debt service income of \$190K to new owner. (IN074A)

KENTUCKY

New Listing! SA practice in beautiful east central KY. Emergency service available. Grossed \$562K in 2003. Price of \$495K for practice only. Very favorable lease will transfer. After debt income of \$180K to new owner. (KY074A)

OHIO

SA practice in NW OH. Well-equipped and roomy building on spacious lot. AAHA accredited. 2003 gross was \$590K. Price of \$695 includes real estate. After debt service income of \$150K (OH113A)

I MID-ATLANTIC

Larry McCormick, DVM, MBA, CBA
David McCormick, MS 888-881-7084

PENNSYLVANIA

CATS ONLY! Stable, AAHA certified turnkey cat-only practice with attractive real estate. Great location in eastern PA, stable client base and well-trained staff. Excellent opportunity! (PA3)

PENNSYLVANIA

SA practice with revenues over 1.1 million and growing. Real estate also for sale. Located in south-central PA so easy travel to Harrisburg, Philadelphia, Baltimore and Washington DC. (PA14)

PENNSYLVANIA

An established one doctor practice with revenues over 750K and growing. After debt income over \$140K! Call for more information and to arrange a practice visit! (PA10)

J NORTHEAST

Jim Stephenson, DVM 800-474-4775

MAINE

Southern. SA. Leased facility on high-traffic arteriole. Grossing \$401,600+. Practice \$320K. (ME 115)

NEW YORK

Westchester County. AAHA. 1 DVM. Lease. SA. Exceptional equipment package. Grossing \$345,495. Practice \$207,500. (NY 147)

NEW YORK

Nassau County. SA. 1 DVM. Grossing \$569,277. Practice & Real Estate \$1.1M. (NY 146)

Thinking of Selling? Now is a great time to list your practice, we have buyers waiting for good practices to come on the market. Call us if you would like to explore your options.

For a complete listing of available practices nationwide visit: www.simmons2000.com