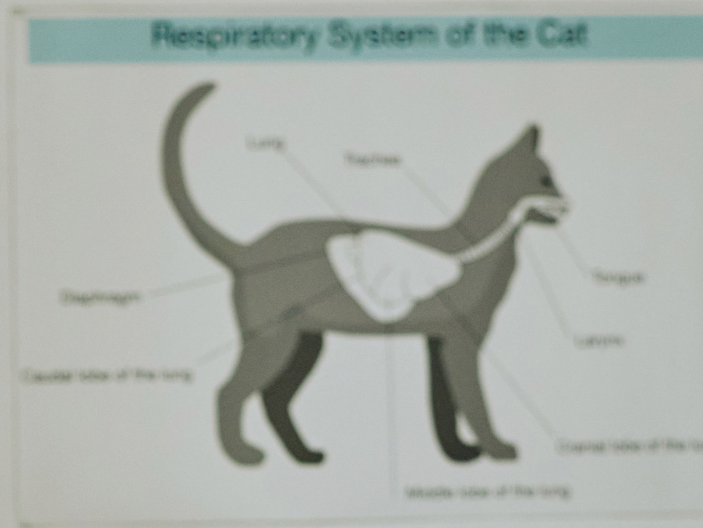


“From what I am seeing, the downward pressure on prices that comes with higher interest rates has been offset by the growing upward pressure brought by increased demand from buyers.”

**Simon Palmer, managing director,  
Practice Sale Search**



## YOUR BUSINESS

Who doesn't want to get a good price for their practice? Fortunately, there are things you can do to improve your chance of extracting maximum value from a would-be purchaser.

By **Tracey Porter.**

# FULL SALE AHEAD

**Corporate interest** in purchasing veterinary practices shows few signs of abating.

In recent months the country's two largest owners of veterinary hospitals have both confirmed plans to expand their networks through strategic mergers and acquisitions.

However, while VetPartners which has more than 260 practices in its stable, and Greencross Vets which has 167 general practitioner clinics and 25 specialist and emergency sites across Australasia, admit to looking for new vet businesses to purchase, both have been quoted as saying a downturn-related drop in practice valuations means the sums being paid for practices are unlikely to be as high as previously.

So, what does this mean for practice owners potentially looking to offload their clinics?

Simon Palmer, founder and managing director of veterinary brokerage Practice Sale Search, has been involved in the buying and selling of animal and human health practices for more than two decades.

He says even if independent practice owners are not wanting to sell to a veterinary corporate—and he admits “many are not”—the resurgence in corporate interest in buying veterinary practices can only be a positive thing for other vet vendors seeking a sale.

“A good time to be selling any product is when there is strong demand, because greater demand should mean better prices and terms for sellers,” he says.

Palmer, whose business operates in both the Australian and New Zealand markets, says the fact that there is increased corporate demand for veterinary practices even amid such turbulent economic times is testament to the sector's resilience.

Veterinary practices have proven themselves robust in the face of the pandemic's tumultuous trading conditions over the past few years, he says, showing much stronger results than sectors such as travel, events and retail.

Photography: annastills - 123RF; creativeneko - 123RF (over)

“Know you don’t have to jump at the first offer. Find the buyer that is the right match for your practice. If a corporate consolidator is not willing to negotiate on your terms, then they may not be the right fit for you.”

**Paul Jackson, principal, Fusion Solutions**

He says this means it’s unlikely those looking to sell their practices will be forced to reduce their expectations around potential values.

“From what I am seeing, the downward pressure on prices that comes with higher interest rates has been offset by the growing upward pressure brought by increased demand from buyers.”

### What not to do

Palmer says achieving the right result is not just about the best financial outcome but also about the purchaser’s personality and compatibility with the team and community, and the terms and timing of the sale.

Vendors are typically motivated to sell their practice for any number of reasons. Perhaps they realise their time and/or resources are better spent elsewhere, or that their business could be worth less in the future under their ownership, he says.

Yet whatever their reason, few are prepared to accept an offer for less than what they think the practice is worth.

While market forces will dictate the value of each independent vet practice being sold, there are many factors that could negatively impact the eventual sale price of a clinic, says Palmer.

For example, owners may start the selling process when they are already “burnt out and over it. Sometimes when the practice’s fortunes are in decline, it is because of the owner’s reduced hours and enthusiasm. Buyers will judge a practice most harshly on its most recent figures. It is important that they are a good reflection of what the practice is capable of,” he says.

Likewise, a vet practice vendor may struggle to achieve a good sale price when they attempt to cut corners during the selling or negotiation period, Palmer says.

This is particularly true of those who don’t approach appropriate professionals for assistance when listing their property or undertaking complicated financial transactions. “Most people would agree that someone will do a complex task better the hundredth time than the first, and yet they often think they will save money by not engaging a decent commercial lawyer, accountant or a business broker when they sell their practice. Any savings are almost always a false economy.”

### Best practice considerations

Strategy is everything when it comes to influencing the amount of money the sale of your practice can net, Palmer says. That’s why it’s important to ensure that the most recent revenue and profit



figures are a good reflection of what the practice is capable of.

He says that when someone is working out how much to pay for a business, they are less concerned about how up to date the software is or how active the practice’s Facebook page is, and most concerned about their return for investment.

In short, they are anxious to find out how easy it will be for them to repay the loan that they will take out to buy the practice, he says.

Paul Jackson, principal of financial advisory service Fusion Solutions, says another important step is to adopt a whole team approach to care rather than just relying on one or two key staff members. This reassures a would-be buyer that the revenue stream won’t leave with the principal’s departure.

Jackson says by giving your staff more responsibilities, hands-on practice owners are helping to ensure a smooth transition for any potential purchaser who will be more incentivised to pay more for the clinic if the business is supported by a great team.

This in turn will create a sense of loyalty to the practice, instead of loyalty to you as a business owner.

“This is an imperative delineation when selling a business,” he says. “Potential buyers will be more attracted to a sale where staff are loyal to the business and willing to stay on, rather than leave with a previous owner.”

Jackson says that whether you choose to have a private sale or engage with a corporate consolidator, it’s important that to extract your practice’s maximum dollar value, you remain confident in your practice’s worth and the limits to which you will negotiate.

“Know you don’t have to jump at the first offer. Find the buyer that is the right match for your practice. If a corporate consolidator is not willing to negotiate on your terms, then they may not be the right fit for you. ▼