

DEFINE YOUR FUTURE

How to transition your practice and optimize your wealth

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Veterinary Study Groups

Veterinary Management Groups

The Veterinary Management Groups candidly and honestly share information, data, management experiences, ideas, resources, problems, solutions, successes, and failures. Mutual support and motivation help to challenge each member to attain a higher level of success.

MISSION
To create a framework for the pursuit of excellence by providing support for practices with veterinarian ownership through collaboration.

Retirements will Drive the Sale of Veterinary Hospitals in Next Ten Years

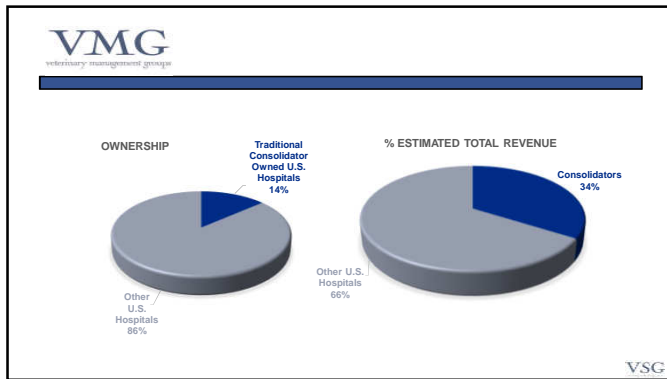
Number of Veterinarians and Veterinary Retirements

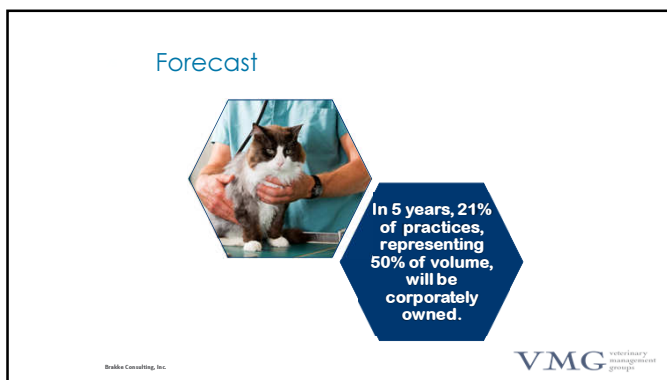
Mean Age of Practice Owners by Practice Type, 2017

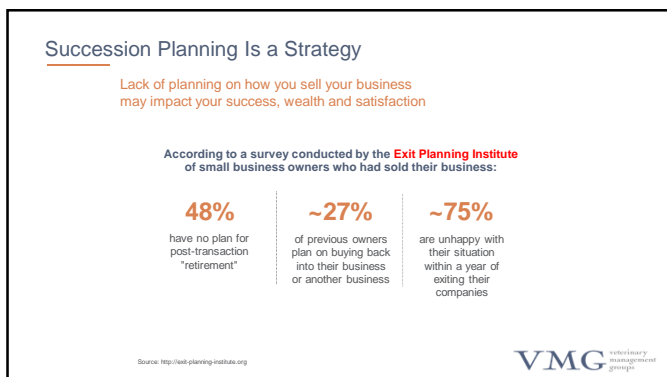
Practice Type	Mean
Other Species	66.3
Food Animal Predominant	64.5
Food Animal Exclusive	60.1
Companion Animal Predominant	61.5
Companion Animal Exclusive	60.7
Mixed Animal	62.3
Equine Predominant	52.1
Equine Exclusive	59.9

Source: AVMA Census of Veterinarians; AVMA Economic Calculation

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Common Consolidator Messaging

- Prices being paid for practices have never been this high.
- These prices won't last.
- The only way for practices owners to get full value for their practice is to sell to a corporate consolidator.
- We're the best.



Succession Planning is Bigger Than You

The method in which you exit your practice can impact your associates, employees, patients, clients and community.



Our Premise

- All stakeholders in a practice have a greater likelihood of benefit with ongoing veterinarian ownership
- Optimal % of veterinarian ownership can vary
- Selling to a consolidator can be the best option in some cases



Strategies for Exiting Your Practice

A variety of exit options exist and can be tailored for each situation



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Real Transaction (John Tait DVM MBA CFP, Certified Business Valuator)

Six FTE practice with annual revenue \$2.55M is offered:

- \$3.0M (multiple of 9.5) by consolidator
- \$1.9M (multiple of 6) by associates (based on valuation)

Consolidator offer:

- \$2.2M after tax
- \$55,000 a year pre-tax in rent with 2% escalator per year

Associates offer:

- \$1.482M after tax
- \$110,000 a year in rent for 7 years, then fair market rent
- \$125,000 consulting fee for 5 years
- Seller retains 5% non-voting shares (dividend and equity)



Seller End-Point with Non-Consolidator Deal (all numbers after tax)

Result after tax	10 years later	5 years later
Cash at closing difference:	-\$718,000	-\$718,000
Rent adjustment:	+\$332,000	+\$197,833
Consulting fee adjustment:	+\$475,000	+\$475,000
Dividend adjustment:	+\$138,357	+\$60,782
5% equity with 3% annual growth:	+\$128,000	+\$110,131
Comparative ending wealth:	+\$356,000	+\$126,000

Plus improved real estate value from higher rent and possibly inflation



Purchaser End-Point with Non-Consolidator Deal (all numbers after tax)

Result after tax	10 years later	5 years later
Cash at closing difference:	\$1.9M	\$1.9M
Rent incremental payment:	\$288,750	\$206,250
Consulting fee payment:	\$234,375	\$234,375
Dividend payment:	\$138,357	\$60,782
+5% equity with 3% annual growth:	\$128,000	\$110,131
Cost after tax:	\$2,689,482	\$2,511,538

Purchaser effectively 'saves' \$1,100,000 in borrowing (plus interest costs) and has increased growth value of 95% of practice.



VMG PRACTICE TRANSITIONS

Sustaining Veterinarian Ownership



VMG Practice Transitions

Primary Goal: Fulfilling the transitioning sellers desire for the practice to continue to have veterinarian ownership

Consultants

- Valuation & Tax Consulting- Terry O'Neil, CPA, CVA
- Operations & Succession Planning- John Tait, DVM, MBA, CFP
- Legal- Tony Aaron, JD
- Financial & Retirement Planning- Steven Young, CIMA, CFP, CEPA

 VMG veterinary
management
group