

Professional Business Solutions

To: DVM Practice Owners

Practice Tips and Ideas Fax Letter

May, 2007

PREPARING TO SELL YOUR PRACTICE... a few basics to consider.

Selling your practice can be a tough decision. After all your hard years of work, your dream is to sell it for more than you invested in it, right? Well, not so fast. Where are the buyers? How do you determine it's *actual* value so that it is fair for you and fair for the buyer. Too high a price can encourage a prospective buyer to simply open up across the street.

A major factor that comes into play is the *confidence* your buyer has that the practice *will continue to run after you have left*. The higher this confidence, the higher the value. So what builds this confidence? 2 things: 1) Profit and 2) the Owner-dependency factor.

Profit is the amount of money left over after expenses. Practices that are well managed are more efficient and they have more money left over after bills. They spend and consume less than they make. They are tightly run. Poorly run practices are less efficient, with more money spent than comes in the door. This leads to the use of *external funding* such as Lines of Credit and credit cards and high, profit eating, finance charges. The bottom line is that a well run practice produces a good steady stream of profit. This is what shows up on your Profit- Loss statements and is a key factor in determining the value of a practice.

A somewhat less tangible value is the **Owner-dependency factor**. The more dependent the practice is on the owner to promote and do the work, the less the value to a potential buyer. Compare this to a *team-driven*, owner-independent practice (with less owner-time) will have a higher value.

Two good "rules of thumb" to follow are:

- 1) Push your practice growth with good external and internal marketing and decrease your expenses, and **aim to get your profit to a minimum of 30%**. This leaves room for a prospective buyer to pay off the purchase debt load and leave some left over for professional expenses (payment of the new owner or associate).
- 2) **Get your total time in the practice down to 25 hours a week or less**. With good efficient systems in place and the tools to monitor performance you can delegate yourself *out* of the practice and maximize your sale.

Questions? Give me a call.



Dr. Joel Parker, President

Veterinary Economics Contributor

888-675-9765

info@profbusinesssolutions.com

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