Building to Sell:
Your Veterinary Exit Plan

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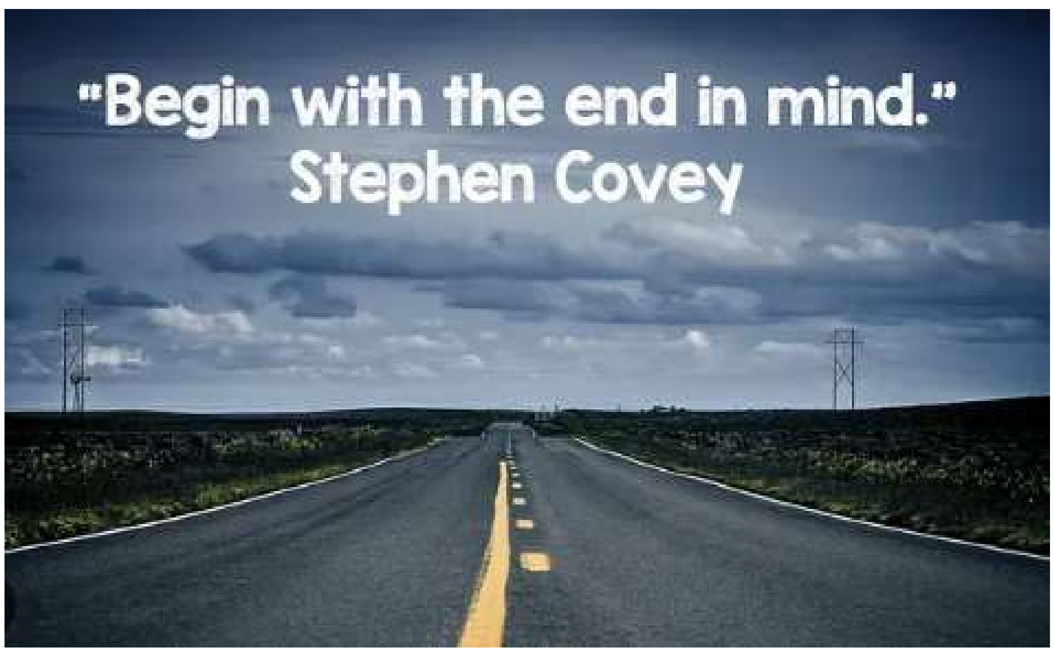
Building to Sell:
Your Veterinary Exit Plan

From Practice to Prosperity:
Planning Your Exit with Purpose



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Today's Agenda

- Why exits fail
- Valuation drivers
- Buyer options
- Financial preparations
- Legacy planning

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Why This Matters

Most Owners Wait Too Long

Start while you still have options.

- **Timeline:**
  - Too Early: Limited buyer pool, lower value
  - Too Late: Reduced negotiating power, rushed transition
  - **Ideal:** Maximize value, prepare team, protect legacy

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The best time to plant a tree was 20 years ago. The second best time is now.
~Chinese Proverb
EmilysQuotes.Com

Always Be Ready

> You Don’t Need to Sell Soon <

…But your practice should always be ready for opportunity.

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Always Be Ready

…But your practice should always be ready for opportunity.

- Opportunities often come **unexpectedly**—from private equity, competitors, or associates.
- Being "sale-ready" means your **financials, operations, and team** are aligned.
- A well-prepared practice is also a **better-run practice**, even if you never sell.

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What’s a Successful Exit?

It’s More than a big check:

It’s peace of mind, team protection, and legacy.

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What's a Successful Exit?

It's More than a big check:

- **Peace of Mind**: You're financially secure and emotionally ready.
- **Team Protection**: Your staff is cared for and retained.
- **Legacy**: Your values and standards live on in the practice.

Common Mistakes
Avoid These Exit Plan Pitfalls

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Common Mistakes
Avoid These Exit Plan Pitfalls

❌ **Waiting Too Long**

Missed opportunities, rushed decisions, limited buyer options.

📉 **Sloppy Books**

Unclear financials reduce trust and valuation.

🧍 **Overdependence on the Owner**

If the practice can't run without you, it's not sellable.

🗂️ **No Documented Systems**

Lack of SOPs makes transition harder and riskier for buyers.

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Valuation 101

- Value = Adjusted Profit × Market Multiple

Adjusting Your Profit

- Normalize owner comp and
- Remove non-recurring expenses.

Adjusting Your Profit

- **Normalizing Owner Compensation**

Adjusting Your Profit

Normalizing Owner Compensation

Why Normalize?

1. Buyers want to understand the *true profitability* of the business, not what the current owner chooses to pay themselves.
2. Owner compensation is often discretionary and varies widely.

Adjusting Your Profit

🧾 **Normalizing Owner Compensation**

What to Adjust:

1. Replace your salary with a **market-rate salary** for a veterinarian in your role.
2. Remove **personal perks** (e.g., car lease, travel, family insurance) that wouldn't continue under new ownership.

Adjusting Your Profit

🧾 **Normalizing Owner Compensation**

Impact on Valuation:

1. Normalizing can **increase adjusted profit**, making your practice appear more profitable and attractive.
2. It also helps buyers **compare apples to apples** across multiple acquisition targets.

Adjusting Your Profit

- **Removing Non-Recurring Expenses**

Adjusting Your Profit

🧾 **Removing Non-Recurring Expenses**

Why It Matters:

1. Buyers are interested in **sustainable earnings**.
2. One-time costs distort the true earning power of the business.

Adjusting Your Profit

🧾 **Removing Non-Recurring Expenses**

Examples of Non-Recurring Expenses:

1. Legal fees for a one-time dispute
2. Major purchases not part of regular operations
3. Renovations or rebranding costs
4. COVID-related expenses (if no longer ongoing)

Adjusting Your Profit

🧾 **Removing Non-Recurring Expenses**

How to Present It:

1. Clearly document and justify each adjustment.
2. Provide backup (invoices, explanations) to build trust and transparency.

What Influences Multiples?

Profit is just the starting point—multiples tell the rest of the story.

What Influences Multiples?

📊 **Key Factors That Influence Multiples:**

1. 📏 **Size**
   - Larger practices often command higher multiples due to economies of scale and stability.
2. 📈 **Growth**
   - Buyers pay more for practices with consistent, upward trends in revenue and client base.
3. 🏢 **Buyer Type**
   - Strategic buyers (e.g., consolidators, corporate groups) may pay more than individual buyers.
   - Private equity often values scalability and recurring revenue.
4. ⚖️ **Risk Profile**
   - Lower risk = higher multiple.
   - Factors include: owner dependency, client concentration, staff turnover, and compliance.

Types of Buyers
Different Buyers – Different Motivations

Types of Buyers
Different Buyers – Different Motivations

👥 Buyer Profiles:

👩‍⚕️ Associates

- Often current employees or junior vets.
- Motivated by continuity and culture.
- May need financing support.

🏥 Local Veterinarians

- Independent practice owners looking to expand.
- Value community reputation and operational fit.

Types of Buyers
Different Buyers – Different Motivations

👥 **Buyer Profiles:**

🏢 **Corporates**

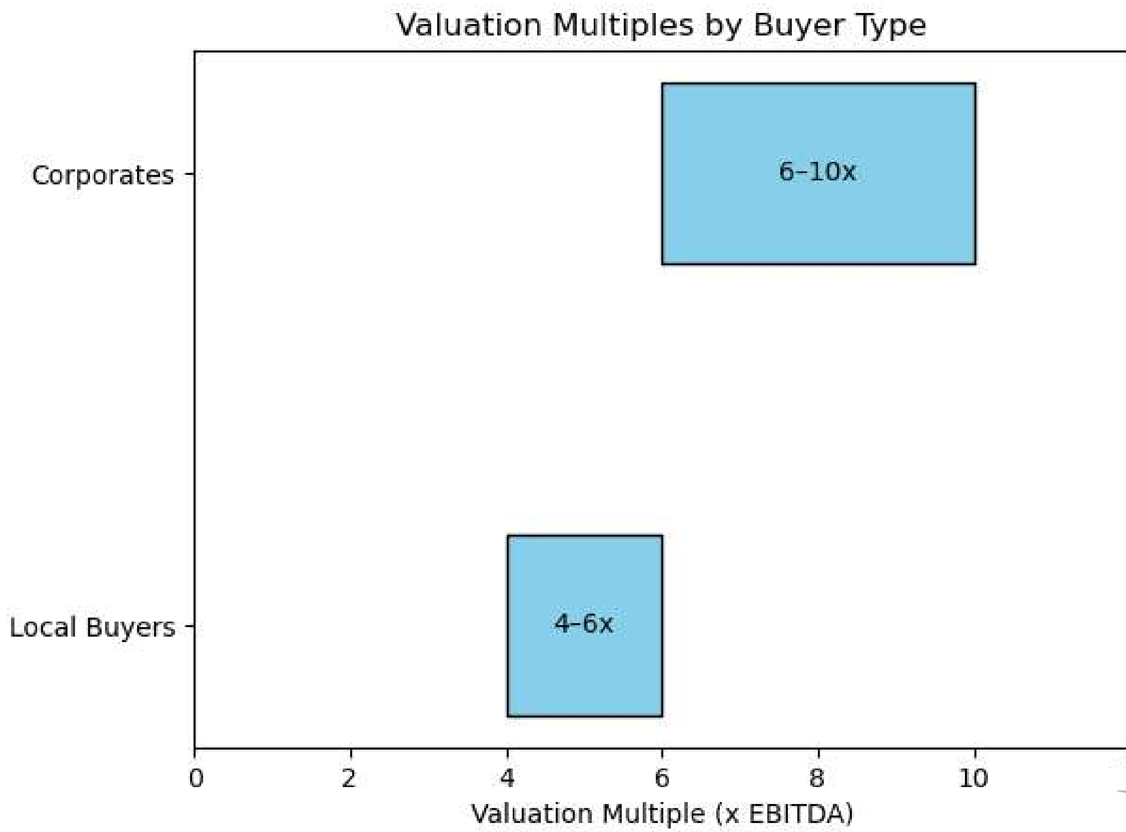
- National or regional veterinary groups.
- Offer streamlined operations, HR, and marketing.
- May prioritize standardization over legacy.

💼 **PE-Backed Consolidators**

- Private equity firms acquiring multiple practices.
- Focused on EBITDA, scalability, and exit strategy.
- Often offer higher multiples but may change culture.

Multiples by Buyer

- 4–6x for local buyers
- 6–10x for corporates—depending on EBITDA and region.



Exit Option A: Sell to Associate

Trust and Continuity—But Requires Patience

Exit Option A: Sell to Associate

Trust and Continuity—But Requires Patience

🤝 **Key Points:**

✅ **Pros:**

- High **trust** and cultural alignment
- Smooth **continuity** for clients and staff
- Preserves your **legacy and values**

⚠️ **Considerations:**

- Often involves a **slower payout** (e.g., seller financing or earn-out)
- Requires **mentorship and transition time**
- May need to assist with **financing or ownership training**

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Exit Option B: Local Sale

Simple Handoff—But a Smaller Buyer Pool

Exit Option B: Local Sale

Simple Handoff—But a Smaller Buyer Pool

🏥 **Key Points:**

1. ✅ **Pros:**
   1. **Straightforward transition**—often quicker and less complex
   2. Buyer may already understand the **local market and clientele**
   3. Less disruption to staff and operations
2. ⚠️ **Considerations:**
   1. **Fewer buyers** in the local market = less competition
   2. May result in **lower valuation** or limited negotiation leverage
   3. Still requires some **due diligence and transition planning**

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Exit Option C: Corporate Sale

Big Payout—But Comes with Trade-Offs

Exit Option C: Corporate Sale

Big Payout—But Comes with Trade-Offs

🏢 **Key Points:**

✅ **Pros:**

- Often the **highest valuation** and **fastest payout**
- Streamlined due diligence and deal process
- May offer **equity rollover** or **retention bonuses**

⚠️ **Considerations:**

- Potential **culture shift**—corporate policies may not align with your values
- **Non-compete clauses** may limit future work in the area
- Staff may experience **changes in autonomy or wo**

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Exit Option D: Partner Buy-In

Flexibility Today, Ownership Tomorrow

Exit Option D: Partner Buy-In

Flexibility Today, Ownership Tomorrow

🤝 **Key Points:**

✅ **Pros:**

- Allows for a **gradual transition** of ownership and responsibility
- Retains **institutional knowledge** and team continuity
- Offers **flexibility** in timing, role, and payout structure

⚠️ **Considerations:**

- Requires **clear agreements** and legal structure
- Needs **long-term planning** and alignment of goals
- Success depends on **strong communication and trust**

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Exit Option E: Wind-Down

Finality Without a Legacy

Exit Option E: Wind-Down
Finality Without a Legacy

🛑 **Key Points:**

✅ **Pros:**

- **Simple and clean**—no negotiations, no buyer search
- Full control over **timing and closure**

⚠️ **Considerations:**

- **Minimal financial reward**—assets may be liquidated at low value
- **No legacy retained**—patients, staff, and brand dissolve
- Can be **emotionally difficult** after years of dedicat

Compare Exit Paths

Each path has trade-offs - Cash, time, team, taxes.

Exit Path	Cash	Time	Team Impact	Legacy
Associate Sale	Moderate	Long	High Trust	Preserved
Local Sale	Moderate	Medium	Low Disruption	Partially Retained
Corporate Sale	High	Short	Culture Shift	Minimal
Partner Buy-In	Flexible	Long	High Trust	Preserved
Wind-Down	Low	Short	Dissolved	None

Financial Preparation Starts Now

A Clean Practice is a Valuable Practice

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A Clean Practice is a Valuable Practice

💼 **Key Action Areas:**

🧾 **Remove Personal Expenses**

- Eliminate non-business charges (e.g., personal travel, meals, family insurance).
- Makes your financials more credible and buyer-ready.

📊 **Consistent Categorizations**

- Use standardized expense categories across months/years.
- Helps buyers and accountants quickly assess performance.

Financial Preparation Starts Now

A Clean Practice is a Valuable Practice

💼 **Key Action Areas:**

📉 **Clean Up Accounts Receivable (A/R)**

- Write off uncollectible balances.
- Keep A/R current to reflect true cash flow.

Boost Margins Pre-Sale

Small improvements to pricing and overhead = big payoff

Boost Margins Pre-Sale

💡 **Key Insight:**

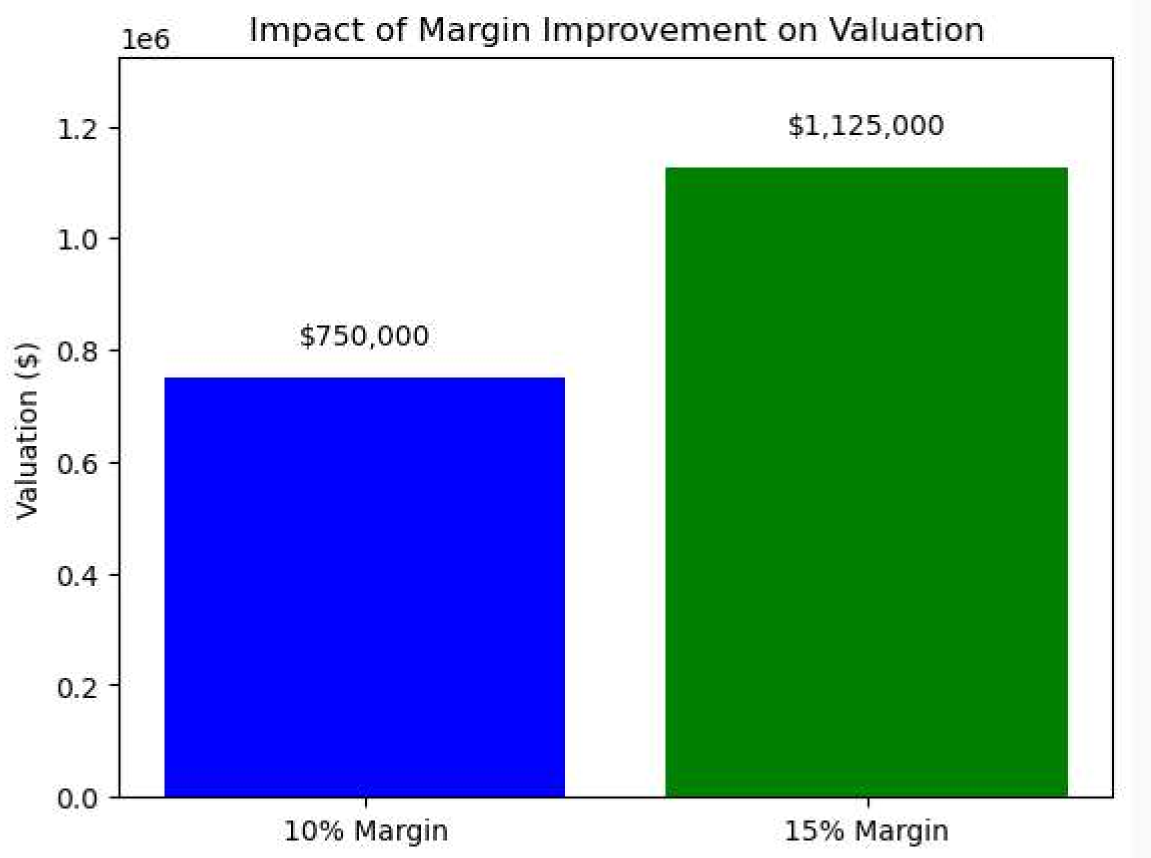
•**$1.5MM Revenue Practice:**

•**10% Margin:** $150k @ 5x = $750,000 valuation

•**15% Margin:** $225k @ 5x = $1,125,000 valuation

•That's a **$375,000 increase** in value from a 5% margin improvement.

Based on 5X Multiple



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Standardize Systems

Consistency Builds Value

Standardize Systems

Consistency Builds Value

Billing

- Use uniform invoicing and payment tracking.
- Eliminate manual or ad-hoc billing processes.

Scheduling

- Implement consistent appointment protocols.
- Use software to reduce no-shows and optimize flow.

Standardize Systems

Consistency Builds Value

👥 HR

- Document onboarding, reviews, and compliance.
- Standardize job roles and expectations.

📦 Inventory

- Track usage and reorder points.
- Avoid overstocking or stockouts with clear systems.

4 KPIs to Focus On

- Revenue/DVM
- ACT
- Payroll %
- Operating Profit margin

4 KPIs to Focus On

- Revenue/DVM

STEP 5: Compare to Industry Benchmarks

Practice Type	Target Revenue per DVM
General Practice (small animal)	$550K – $750K
High-performing practices	$800K – $1M+
Specialty/Referral practices	$1.2M+

4 KPIs to Focus On

- ACT

4. Calculate Average Client Transaction

$$\frac{\text{Total Gross Revenue}}{\text{Total Number of Invoices or Visits}}$$

📌 **Example:**

- Gross Revenue: $1,200,000
- Total Client Visits/Invoices: 9,600
- ACT = $1,200,000 ÷ 9,600 = **$125 per transaction**

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4 KPIs to Focus On

- Payroll %
  - Industry norms for **small animal general practices** are:

Role	% of Revenue Range
DVM Compensation	18–22%
Support Staff	14–18%
Admin/Management	3–5%
Total Payroll	**35–45%**

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4 KPIs to Focus On

- Operating Profit margin

STEP 6: Benchmark to Industry Standards

Practice Type	Operating Profit Margin Benchmark
General Practice	12% – 18%
High-Performing Practices	20% – 25%+
Corporate-Run Practices	22% – 28%+
Specialty Practices	25% – 30%+

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Forecast Before Selling

- Use 13-week and annual forecasts to project stability.

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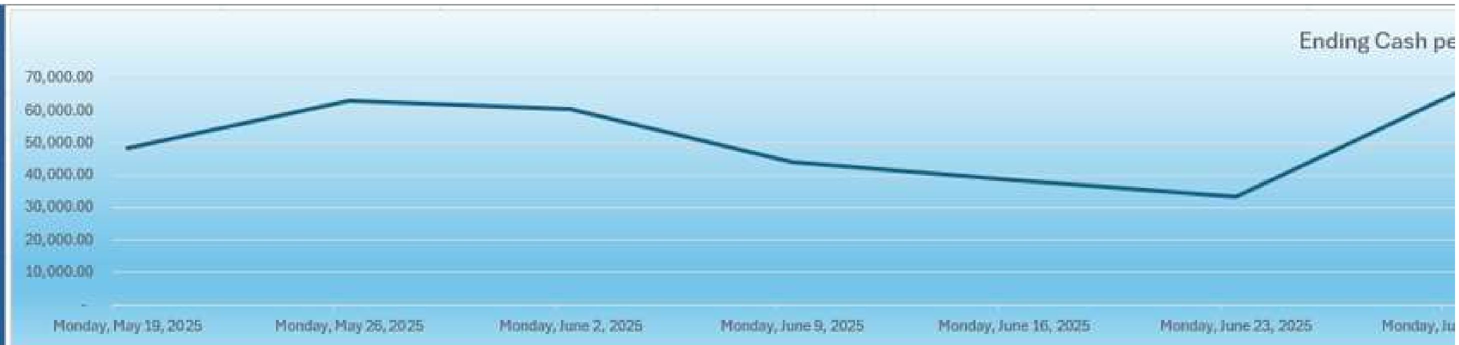
13-Week Cash Projection Report



Week Starting:	Monday, May 19, 2025	Monday, May 26, 2025	Monday, June 2, 2025	Monday, June 9, 2025	Monday, June 16, 2025	Monday, June 23, 2025	Monday, Jun
Beginning Cash per Books	$ 17,895.00	$ 48,395.00	$ 63,058.12	$ 60,327.12	$ 44,023.94	$ 38,523.94	$ 33
Cash In:							
Sales Deposits	50,000.00	27,500.00	37,000.00	13,000.00	14,000.00	-	52
LOC Draws / Loan Proceeds							
Other Cash In							
Total Cash In	50,000.00	27,500.00	37,000.00	13,000.00	14,000.00	-	52
Cash Available to Spend	67,895.00	75,895.00	100,058.12	73,327.12	58,023.94	38,523.94	85
Cash Out:							
Payroll	16,000.00	-	19,000.00	-	19,000.00		19
COGS	-	-	-	-	-		
Postage	-	-	-	-	-		

Don’t Ignore Tax Strategy

What You Keep Matters More Than What You Sell For

Don’t Ignore Tax Strategy

What You Keep Matters More Than What You Sell For

🗓️ Start Early

- Engage a tax advisor 12–24 months before selling.
- Early planning allows for entity restructuring, income smoothing, and strategic timing.

💼 Optimize Entity Structure

- Consider whether an S-Corp, C-Corp, or LLC is most tax-efficient for your exit.
- Explore options like asset vs. stock sale implications.

Don’t Ignore Tax Strategy

What You Keep Matters More Than What You Sell For

💸 Minimize Tax Exposure

- Use strategies like installment sales, retirement contributions, or capital gains planning.
- Understand how your state and federal tax brackets will affect your net proceeds.

📊 Focus on Post-Tax Cash

- A higher sale price doesn’t always mean more in your pocket.
- Smart tax planning can increase your net by six figures.

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What Buyers Fear

Reduce Risk to Increase Value

What Buyers Fear

Reduce Risk to Increase Value

🧩 Minimize Owner Dependency

- Build systems and protocols that operate independently of the owner
- Delegate client relationships and leadership responsibilities to trusted team members

👥 Stabilize Your Team

- Focus on staff retention through culture, benefits, and engagement
- Clearly document roles and cross-train team members to ensure continuity
- insurance issues proactively

What Buyers Fear

Reduce Risk to Increase Value

⚖️ Ensure Legal & Regulatory Cleanliness

- Perform regular internal audits to ensure compliance with veterinary regulations
- Address and resolve any outstanding legal, licensing, or insurance issues proactively

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What Buyers Love

Build Value That Attracts Premium Offers

What Buyers Love

Build Value That Attracts Premium Offers

🔁 Recurring Revenue

- Establish predictable income through wellness plans, subscriptions, or preventive care packages
- Highlight consistent client retention and visit frequency

💼 Great Team

- Showcase a skilled, motivated, and loyal staff
- Emphasize team culture, training, and leadership development

What Buyers Love

Build Value That Attracts Premium Offers

Scalable Systems

- Implement efficient, repeatable processes and technology
- Demonstrate how the practice can grow without major structural changes

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Strong Team = Strong Value

Retain & Attract Top Performers

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Strong Team = Strong Value

Retain & Attract Top Performers

✅ Clarity in Roles & Expectations

•Define responsibilities and performance metrics

•Provide regular feedback and career development paths

💰 Incentives that Matter

•Offer competitive compensation, bonuses, and benefits

•Recognize and reward contributions meaningfully

Strong Team = Strong Value

Retain & Attract Top Performers

🔍 **Transparency Builds Trust**

•Share practice goals and financial performance openly

•Involve team members in decision-making and growth planning

Facility & Tech Readiness

Facility & Tech Readiness

Modern, Functional Facility

- Maintain clean, organized, and welcoming spaces
- Ensure exam rooms, treatment areas, and waiting rooms reflect professionalism

Up-to-Date Technology

- Invest in current diagnostic, surgical, and practice management tools
- Highlight digital records, imaging, and telemedicine capabilities

Facility & Tech Readiness

🔧 **Preventive Maintenance & Upgrades**

- Keep equipment in good working order with regular servicing
- Plan for upgrades that align with buyer expectations and industry standards

Reputation & Reviews

5-Star Ratings Build Buyer Confidence

🌟 Online Reviews Matter

- Maintain high Google, Yelp, and Facebook ratings
- Encourage satisfied clients to leave positive feedback

💬 Client Satisfaction Scores

- Track and share Net Promoter Scores (NPS) or client survey results
- Use feedback to improve service and demonstrate responsiveness

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Reputation & Reviews

5-Star Ratings Build Buyer Confidence

📣 Community Reputation

- Highlight involvement in local events, charities, or pet education
- Showcase testimonials and long-term client relationships

Legacy Isn’t a Line Item

What Will Your Practice Represent After You Leave?

Legacy Isn’t a Line Item

What Will Your Practice Represent After You Leave?

🧭 Define Your Legacy

- Consider the values, culture, and impact you want to leave behind
- Think beyond numbers—what do you want your team and clients to remember?

🌱 Empower the Next Generation

- Mentor future leaders within your practice
- Create a succession plan that honors your vision and values

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Legacy Isn't a Line Item

What Will Your Practice Represent After You Leave?

🏆 Preserve What Matters Most

- Document your philosophy of care and client service
- Ensure continuity in the mission and community presence of your practice

Timeline Example: 5-Year Plan

- Year 1: Clean up Financials
- Years 2-4: Improve KPIs
- Year 5: Package & Sell

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Assemble Your Advisory Team

- CPA, broker, attorney, and financial advisor—early is better.

Exit Communication Plan

- Clear messaging reduces staff fear and builds trust.

What Buyers Are Really Buying

- Predictability. Profitability. People.

Avoid These Pitfalls

Don’t Let Easily Preventable Issues Derail Your Exit

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💸 Unrealistic Price Expectations

- Base your valuation on real market data and professional appraisals
- Understand what buyers are truly willing to pay—and why

📂 Disorganized Data

- Ensure financials, client records, and operational documents are clean and accessible
- Present your practice like a well-run business, not a mystery to solve

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Avoid These Pitfalls

Don’t Let Easily Preventable Issues Derail Your Exit

🧭 **No Plan for Post-Sale Life**

- Know what’s next for you—emotionally and financially
- Buyers want to know you’re ready to let go and support a smooth transition

Your Next Chapter

Define Your Purpose—Not Just Your Payout

Your Next Chapter

Define Your Purpose—Not Just Your Payout

🎯 Clarify Your Post-Sale Vision

- What will bring you fulfillment after the transition?
- Consider passions, hobbies, travel, or new ventures

🧘 Prepare Emotionally for the Shift

- Letting go of your practice can be emotional—plan for that
- Talk with peers who've exited and learn from their journeys

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Your Next Chapter

Define Your Purpose—Not Just Your Payout

📅 Structure Your New Routine

- Design a lifestyle that gives you purpose and balance
- Whether it's part-time work, volunteering, or full retirement—own it with intention

Your Next Chapter

Define Your Purpose—Not Just Your Payout

Retire *to* Something,

Not *from* Something

Start With These 3 Steps

- 1. Normalize your books
- 2. Identify 2 KPI areas to improve
- 3. Set a target exit date

Final Thought

- Build a practice you'd be proud to sell—even if you never do.