

MONEY MATTERS

Know When to Walk Away

If you're an independent practice owner, don't rush into a sale to a consolidator. Here's what to watch for.

BY LESLIE A. MAMALIS, MBA, MSIT, CVA

Remember when veterinary practice buyers were scarce and hospital owners were concerned about finding one — or they expected the pool of buyers to be small? Then along came the consolidators, who used outside money to cherry-pick the best of the best practices. Today, as the inventory shrinks, the competition to buy practices has intensified. Independent veterinarians might have difficulty finding a clinic to buy because a large and diverse group of consolidators is aggressively marketing to almost every companion animal, mixed animal, equine and beef cattle practice.

Most consolidators are honest and genuinely want to reach mutually beneficial agreements with practice owners. Others, however, might say things that are dubious at best to attract sellers and close deals. Beware of the following.

“Act Now! Time Is Running Out!”

Some sales tactics reported to me by clients, friends and colleagues make me shake my head or leave me angry.

The worst behavior I've heard recently came from a long-time client who was told that waiting until the spring of 2021 to sell would be too late. Consolidators would stop buying practices, she was told, because by then they would have as many as they wanted. Oh, please! That's nonsense, and a sales rep who says that should be embarrassed. Perhaps the buying group is nearing capacity, but dozens of others are not. As I've said repeatedly, buyers can always be found for good practices. Do not let anyone tell you that no one will buy your practice if you don't “sell it now.”

There is a big difference between “now or never” and being encouraged to close quickly. At certain times of the year, the private equity firms behind many consolidators must recapitalize. That means the original firm

might wish to sell its interest or invest additional money in the consolidator. During certain periods, consolidators can't buy more practices until the private equity decisions are made. If you haven't sold before this analysis period, you might need to wait a month or longer. This is a legitimate cause of delay and one the representative should be willing to share with you.

“Trust Me”

Another tactic high on my list of annoyances is this one: If you hire a consultant to review the purchase offer, the consolidator will walk away. Seriously? Anyone who says such a thing knows that the purchase offer isn't as good as it could be and might be downright terrible. Those reps play on your fear that the offer will evaporate.

If you hear “Trust me,” immediately walk away. Do not do business with someone who wishes to prevent you from getting needed advice. Reputable consolidators want you to feel good about the offer. They will not balk when you need to confer.

“The More, the Merrier”

A consolidator sometimes will encourage or require you to hire more veterinarians. This might be a prerequisite to extending an offer, or the offer could be contingent on you hiring more doctors before the sale closes. What isn't fair is to suggest that the consolidator will lose interest if you don't hire a doctor within the next three to six weeks.

How many of you could hire another doctor that fast? Associate veterinarians are in high demand and short supply. Unless you are in the middle of final interviews, recruiting, interviewing and hiring a doctor will take longer than three to six weeks. Just like you, consolidators are having a hard time finding doctors to fill open positions. By shifting the hiring burden to you, they make their lives easier.

Many consolidators want you to participate in hiring your replacement, but since your employment agreement will cover a minimum of one year, you have time to find someone. If you need to replace a doctor who left because you can't handle the cases coming through your door, selling to a consolidator isn't going to make the problem disappear. Consolidators



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don't have a pool of doctors eagerly waiting to be assigned to your hospital.

On the other hand, if your practice is doing fine with your current doctors, why recruit another one? If you aren't leaving or expecting a drastic cut in the hours you work, push back. Ask why another veterinarian is necessary and object if the explanation doesn't make sense.

"You're the Problem"

Perhaps a requirement of the agreement is for you to work less before the sale. Of course, to work less, you need doctors with enough empty slots in their schedules to accommodate some of your appointments. If you plan to remain with the practice after the sale, why do you need to cut back? Maybe because:

- ▶ The less you work, the less of a bind the buyer will be in if you leave suddenly. If you plan to skip town once the sales proceeds hit your bank, preparing your practice — and your associates — is the right thing to do.
- ▶ A consolidator might want to reduce the risk related to the loss of your professional goodwill. The more the practice revolves around you, the harder it is to replace you and what you represent to clients and the community. If you produce 75% of the



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revenue, the risk is high that clients will leave if you aren't there. But if you generate only 35%, clients are used to seeing other doctors. If they can't see you, it's not a crisis.

If you're working 80-hour weeks, then, yes, you need to cut back and take care of yourself. But if you carry a typical schedule, force the issue. You shouldn't have to produce less unless you carry an unusually heavy load.

The Decision Rests With You

Again, the majority of consolidators are honest, honorable and worthy of your trust. A consolidator that respects the relationship with you as a partner will not issue ultimatums or use scare tactics to coerce you into selling. Yes, they will encourage you to decide quickly, but they will never resort to "now or never" threats.

If you are considering selling to a consolidator, remember this: You are always in control. You have the power to ask for changes, take more time to decide or even walk away.

Every buyer, whether a consolidator or private veterinarian, will ask for considerations. Some requests will be reasonable and others might border on the absurd. Work with experienced advisers to understand what is realistic. **TVB**