

THE PATH TO PRACTICE OWNERSHIP

FEATURING: DR. ANDY ROARK & SARITA VORA



The Path to Practice Ownership, a Q&A

Featuring: Dr. Andy Roark & Sarita Vora, Senior Loan Officer at Live Oak Bank

Q: Does student debt take you out of the ownership equation?

A: Absolutely not.

Q: How many borrowers have student loan debt?

A: About 75%, Live Oak Bank sees it every day.

Q: What else are you looking to make a practice purchase successful?

A: Historical cash flow is something that we look at, but there's a lot of other factors. We like to look at matching the clinic to the buyer. For example does the style of medicine align? Are you an ER doctor whose only seen ER cases for the last 4 years, and you're looking at a daytime clinic? That's a big switch and not necessary the best alignment for the clinic, you, or the clients.

Q: What type of experience requirements do you look for in veterinarians who are looking to buy a practice?

A: Regardless of how long you've been in practice, we are going to ask for an ownership transition plan. That's similar to a business plan. Have you really thought about maintaining the success or turning it around? What's your plan?

Q: Does quantity of time in practice make me more likely to be successful?

A: Not necessarily. It's really case by case.

Q: Where should we be investing time before purchase?

A: Establishing your ownership transition plan is the best investment you can make before purchase.

Q: Can I afford this clinic?

A: Business acquisition isn't like a mortgage. We look at the cash flow of the business to see if it can sustain not only the loan repayment, but your lifestyle.

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Q: What about a partnership? Would it be easier to do with a business partner?

A: It's not easy to make business decisions with someone else. It's really important that your business goals align and that you have the relationship established to make difficult decisions together. What do each of you bring to the partnership? Good credit, liquid assets, or do your strengths lie in other areas? It can be great and make the purchase, or can break the business.

Q: Are there red flags that people should consider before entering a purchase?

A: Wanting to acquire for the wrong reasons. Purchasing a clinic is not job security. You will be working much harder. If you don't have a wealth of business experience, are you surrounding yourself with people who do to help you make those decisions - or are you unprepared?

Q: A lot more non-veterinarians are purchasing practices now. What's that look like?

A: Practice managers have invaluable experience and knowledge that can really benefit the sustainable practice purchase. While we recognize the benefits that non-veterinarian owners can bring to the table, at Live Oak we can not provide financing to a sole non-veterinarian looking to purchase. We would want that person to purchase with a veterinarian with at least a 51% majority ownership. They do make an incredible team.

Q: What are some of the things that disqualify individuals from practice purchase loans?

A: Prior Bankruptcy. Credit under 650.

Q: What can someone do who's aspiring to practice ownership in the future?

A: Save your cash! We can find the cash in the clinic to pay your student loans. It's far better to come to the table with liquid assets for 10% downpayment.

Q: How does someone find the right practice to purchase?

A: There are a lot of brokers online who do this exact thing for a living. They are all over the internet. Or, get brave and go knock on the door of the clinic in your home town and ask to speak to the owner, just start the conversation. If you aren't comfortable with the face to face, write a personal letter. Use your industry reps! They know everyone in their area!

Q: Once I find someone who's interested in selling and I'm interested in buying, what are the next steps?

A: Contact a lender. Let them know you are interested. The lender starts a financial analysis.

Q: What's the buying process?

A: I ask what the seller wants to sell for, everyone has a number. We need that to do the cash analysis. If all that checks out, we issue a proposal letter, it's basic loan terms. If you approve that, then we go to underwriting which at Live Oak takes about 7 days.

Q: What are you looking for in a business improvement plan? How formal does it need to be?

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A: We are looking for a couple paragraphs about staffing, hours, your vision for the clinic, services you might be thinking about adding. This helps us understand what type of a business owner you are going to be. It's really conversational!

Q: How does this process vary if you already own a practice and you're looking to buy a second practice?

A: Once you've already proven ownership, we look at tax returns to look at how successful you are as a business owner. We look at the big picture of loans on the the other practice and make sure this is something that's sustainable and you can afford.

Q: Do I need a ownership transfer plan for the second practice?

A: Absolutely, we need to know how you plan on staffing two practices.

Q: What do you like to see in a plan for the second practice?

A: We like the second practice to be close to you. Are you going to be the main operator? Are you going back and forth between both practices? What's your marketing plan?

Q: Are there resources information for how to prepare your personal finances for purchasing a practice?

A: The Veterinary Knowledge Resource Bank at liveoakbank.com/vet

Q: What's the average personal financial statement look like that you're able to qualify?

A: The average DVM looking to purchase usually comes with a home mortgage of around \$200,000, student loans of between \$100,000-200,000, a car loan, a little bit of credit card debt, and a little bit of cash.

Q: Any general advice for practice owners from successful practices?

A: The most successful practices incorporate their staff members in their philosophy and staff buys in.

Q: What's the biggest pitfall for new practice owners?

A: We want to see transparency and support for the buyer from the seller. Without that, it can be harder to maintain a successful practice.

Q: What might make a buyer more successful?

A: Broaden your comfort zone!