

SECURING FUNDING FOR YOUR FIRST PRACTICE PURCHASE...

FOR VETERINARY SURGEONS WHO ASPIRE to ultimately become practice owners there is good and bad news. The good news, firstly, is that the banks very much view veterinary as a “green light” sector and are prepared to offer generous terms to first-time buyers.

The bad news is that there is currently an under-supply of practices

coming to the market to keep pace with the demand for clients seeking to purchase.

Unfortunately for purchasers, under the law of supply and demand this has resulted in

higher and higher goodwill values to such a level that in certain cases the subject practice may not now be a viable acquisition.

That said, the majority of practices are “fundable” although key for any purchasers is to ensure they plan and prepare in advance to present the bank with as comprehensive a proposal as possible.

This should reflect both purchaser and the practice in the best possible light, to outline how you will run the business and to demonstrate the practice is (or will be) profitable to ensure a positive lending response and to secure best funding terms.

Where do I start?

Before you even view or place an offer on a practice you need a rough idea of the level of finance you could raise. Can you purchase a practice for £250,000, £500,000 or £1 million plus?

By asking a number of questions about your clinical and employment background together with details of your personal financial position, most advisers should be able to provide a guide as to the level of bank support you can expect – which in turn can steer you towards suitably sized practices.

It is vital to ensure you work with an Independent Adviser who is authorised by the FCA and as such can work with *all* of the banks. There are currently 13 high street banks who have a policy to lend against veterinary goodwill,

together with a number of smaller “niche” lenders.

Do not make the mistake of approaching just one bank direct though as they will only outline what their own lending guidelines will permit, which may not be the most favourable: the banks are all different and there are currently some very competitive and flexible terms available

but only if you approach the right lenders.

What do I need to prepare?

A CV is quite often overlooked by clients who

approach banks direct but is one of the most important items the banks consider. Yes – this will include your clinical background, especially covering any specialisms, but most importantly should cover aspects of managerial experience be it in veterinary or elsewhere.

You need to clearly demonstrate to the bank you are a serious business prospect and can take the step up from an assistant role to owning and running a business and to cope with all of the headaches that will entail. It would be prudent to run your CV via your business adviser who can provide the necessary “enhancements” the banks like to see.

Your personal financial position. The banks will very much focus on your personal assets and liabilities as well as your personal drawings requirement. Please take your time and detail everything on these forms and do not try to gloss over certain areas you feel may be an issue.

Not everyone’s personal finances are perfect but a big no-no is to keep certain information back only for it to be “spotted” by the bank at a later date. Disclose everything – but again speak with your adviser in advance who should be able to put a positive spin on most situations.

Cash savings. In almost every case you do need to ensure you have funds put aside to put towards a purchase. For smaller sub £500,000 purchases a cash contribution of between 5% and 10%

may be possible and indeed on smaller freeholds 100% funding may still be achievable.

For £500,000-plus purchases, as a first-time buyer you need to budget for 10% to 20% unless of course you have additional security to offer. Bank of Mum and Dad has come into play in recent years. If you are in a fortunate position where family financial support is available, *do* ensure you let the banks know as in most cases they are happy to use this as your contribution towards the purchase.

Business plan and forecasts

You need to demonstrate firstly to yourself and then the bank that the practice is worth purchasing – and it is true to say that not all are.

Compiling a profit and loss forecast (P&L) is vital: it would normally take a vendor’s most recent accounts as a starting point (or average of last three years if available) and effectively personalise it to show how the business would look financially if you took over.

You would add back costs which are personal to the current owner (depreciation, spouse’s wage and vendor’s finance costs). You must then include your own costs – largest of which is likely to be the bank loan repayments.

It is the all-important bottom line profit after all deductions that both you and the bank will focus on: are loan costs comfortably covered and is there enough left to cover tax, your drawings requirement and for future investment

back in the business?

Most banks would also expect to see a business plan which is effectively a summary of the above points covered in this article; background on you (CV, financial position and earnings), background on the practice you are looking to purchase, the changes you are looking to make and the impact this will have on practice income and profits (the P&L).

Working with experts

Working with an FCA registered independent adviser will not only give you the peace of mind of a whole of banking market overview, they will help you prepare your business plan and P&L. They should also negotiate on your behalf with the banks to ensure flexible and competitive terms and then hold your hand to the very end, liaising with accountants, solicitors, sales agent, the bank and bank valuer to ensure a smooth and seamless purchase.

The current market dynamics and high values certainly do make it challenging for first-time buyers; however, it *is* possible and I hope these tips and suggestions will assist you achieving your dream of practice ownership.

■ FTA Finance is a trading name of FTA Finance Ltd which is authorised and regulated by the Financial Conduct Authority.

■ The FTA Finance team will be at the London Vet Show next month on Stand G1.

HELEN SKINNER

of FTA Finance discusses what aspiring practice owners should do to ensure they make a successful purchase and explains the amount of preparation needed



‘Intelligent on the road’ app launched

VETIT unveiled its “intelligent” new app, On the Road, at the BEVA congress last month and will be promoting it at the London Vet Show on 17th and 18th November.

Set to “revolutionise the way veterinary practices work”, VetIT says, the app is available on iOS and Android smart phones and tablets and “gives vets instant access while out and about to the important stuff they need on a daily basis”. Users can download appointments for the day including patient details with their location and clinical history, get directions en-route, write and upload clinical notes and photos, make new appointments and automatically upload current appointment status. The app can be used in any location, anytime, with or without connectivity. The technology allows the user to work offline and then update once connectivity has been restored.

Tony Houghton, managing director at VetIT, comments: “We’ve developed On the Road to ensure it meets all the demands of a busy veterinary practice. In our experience – nine years designing practice management systems especially for vets – vets are increasingly busy and they’re on the road more than ever which is where our app comes into play.

“The app caters for those who are at a location with no 3G or 4G connectivity or perhaps stopped at a service station with no wi-fi. You can work remotely without connectivity, but have peace of mind that your activity has been logged and it doesn’t require a paper chitty, saving a journey back into the office at the end of the day. It’s going to revolutionise the way practices work and really save time and resource.”



Helen Skinner, head of veterinary at FTA Finance, has an extensive banking background and has worked within the healthcare sector since 2000. She works directly with all FTA Finance clients who are looking for funding for a variety of reasons from first-time buyers to established owners looking to expand and/or review existing arrangements; e-mail helen.skinner@ftafinance.co.uk.