

# VETERINARY PRACTICE VALUATION REPORT

## Premium Report £495.00 plus VAT

The reports are only suitable for incorporated practices and give a guide to the potential value of your veterinary business. (See T&C)

### Terminology-

|      |   |                                |
|------|---|--------------------------------|
| PMP  | - | Projected Maintainable Profit. |
| ETO  | - | Estimated Turnover.            |
| SR   | - | Standard Report.               |
| PR   | - | Premium Report.                |
| CHBS | - | Companies House Balance Sheet. |
| DPLA | - | Detailed Profit & Loss Account |
| DBS  | - | Detailed Balance Sheet.        |
| CIS  | - | Client information sheet.      |

Using the Vet Practice Values (VPV) algorithm we can produce a range estimate of the company's goodwill value. The Premium Report additionally requires sight of the latest profit and loss account and balance sheet, this will enable us to look for any input errors and make any adjustments as required to produce a more accurate view of the goodwill value.

The final value of the sale will include the value of all assets minus liabilities, the goodwill usually being the largest asset.

An adjustment is made for all rents is a percentage of turnover to minimise errors caused by under/overcharging properties owned by the principal to produce a more balance PMP

When making out report as well as your input data, we access the following information that is available in the public domain.

- Companies House files to check any potential discrepancies that might affect the final value.
- RCVS register for background information.
- Practice website

Plus downloaded information you have provided

- Detailed profit & loss account
- Detailed balance sheet.
- Client information sheet.

We will review other downloaded information sent and check it against the inputs on the online valuation range. We will examine the Companies House information to ascertain any apparent discrepancies.

In addition, with the knowledge we have of the sale values that the present market is offering we are able to relate that to any variations in value that might occur.

Together with the information, we receive , we are able to produce a narrower goodwill range.

Please remember this is still only an approximate guide and many other factors may still arise that could reduce or increase the practices goodwill value. However, the end price will be the one negotiated between the seller and the buyer.

The report will be available to upload within 10 days

Specimen

# Sample P&L

## ABC Vets Limited

### Summary of the Accounts 2 years to 30 April 2018

Projection based on Months 1-4

Sales Increase 4.00%

Oveheads Increase 3.50%

|                               | 2018         | 2017         |
|-------------------------------|--------------|--------------|
|                               | <u>£'000</u> | <u>£'000</u> |
| Sales                         | 1,144        | 1,100        |
| Cost of sales                 | -408         | -392         |
| Gross profit                  | <u>736</u>   | <u>708</u>   |
| %                             | 67%          | 65%          |
| Wages and salaries            | 342          | 330          |
| Directors remuneration        | 12           | 12           |
| Staff training                | 1            | 1            |
| Rent and rates                | 59           | 57           |
| Insurance                     | 7            | 7            |
| Light and heat                | 9            | 9            |
| Repairs and Maint             | 5            | 5            |
| Printing postage staty        | 7            | 7            |
| Advertising                   | 3            | 3            |
| Telephone                     | 11           | 11           |
| Computer                      | 4            | 4            |
| Motor expenses                | 19           | 18           |
| Legal and professional        | 4            | 4            |
| Accountancy                   | 2            | 2            |
| Bank charges                  | 1            | 1            |
| Credit cards                  | 4            | 4            |
| Bad debts                     | 7            | 7            |
| General expenses              | 5            | 5            |
| Subscriptions                 | 2            | 2            |
| Depreciation and amortisation | 33           | 32           |
| Interest                      | 2            | 2            |
|                               | <u>541</u>   | <u>523</u>   |
| Net Profit                    | <u>195</u>   | <u>185</u>   |

## Premium Report

|  |  |
|--|--|
| Full Name:   | Will Shakespeare                                       |
| Confidential contact number (optional):  | 12345678   |
| Confidential Email (for reports):  | <a href="mailto:wil@theglobe.com">wil@theglobe.com</a> |
| Postcode (used for regional variations):   | NE462ER  |
| Company Name:  | ABC Vets Ltd   |
| Practice Name  | ABC Vet Practice                                       |
| Practice sector:   | Mostly Small Animal                                    |
| Approx. size of practice in full time vets:  | 5  |
| Date of last financial year end:   | 30/04/2018   |
| Turnover in that year (£):   | 1,100,000  |
| Net Profit (£):  | 185,000  |
| Expected growth in the current year:   | 4%   |
| Directors total remuneration from accounts   | 12,000   |
| All rents paid for practice Properties:  | 57,000   |
| Estimated Rent:  | 40,040   |
| State the number of working Veterinary Directors:                                      | 2  |
| State all finance costs (£):   | 3,000  |
| State all Depreciation and Amortisation shown  | 3,000  |
| State total costs of all family members not required or replaced post acquisition (£): | 5,000  |
| State any non-recurring costs (£):   | 0  |
| Estimated turnover (£):  | 1,144,000  |
| Estimated Net Profit (£):  | 207,000  |
| Estimated maintainable profit (£):   | 133,992  |
| Ratio of PMP Projected T/O :   | 0.18   |
| Increase turnover with growth for EST profit:  | 0.5  |

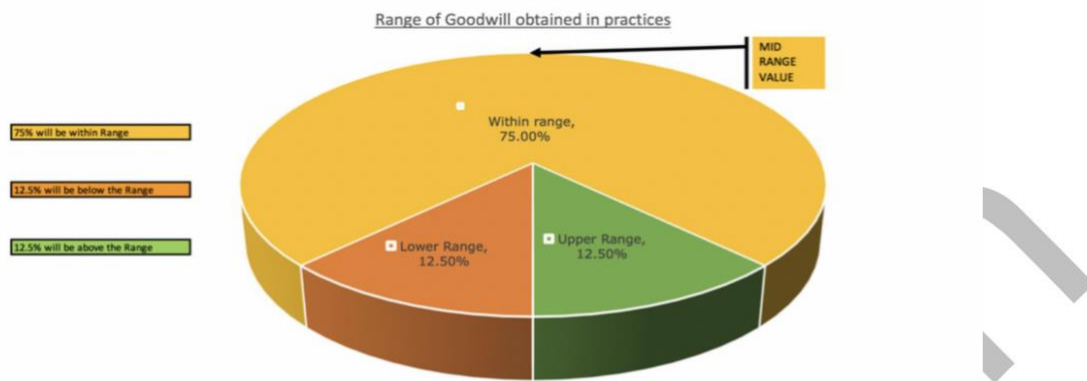
With a turnover of £1,100,000, this is the range of goodwill values for different performance levels.

### Goodwill Calculation

With the projected turnover of £1,100,000, this is the range of goodwill values for different performance levels.

- |                             |               |
|-----------------------------|---------------|
| (a) Up to - £669,950        | Below average |
| (b) £669,960-£802,612       | Average       |
| (c) £803,952-£936,604       | Good          |
| (d) £937,944-£1,004,940     | Excellent     |
| (e) Greater than £1,004,940 | Exceptional   |

From the details provided we estimate this company falls into range (b) giving goodwill to be between £669,960 and £802,612



## Financial Analysis

### Profit & Loss accounts.

We have analysed the P&L account & input figures and found the following discrepancies and corrected them.

- Depreciation- The figure of £3,000 was input in error, the actual was £32,000.
- Cost of Family members- The wife and son's use of car was not included - Value £2,750
- As one director will be retiring, we have allowed a remuneration for the remaining one of £60,000 plus an assistant's salary cost to replace the other of £40,000.

This would have increased the PMP by £31,750 which would have increased the Maintainable profit of £133,992 to £165,742 . The result would be to increase the goodwill range for a Corporate purchase to £994,000-£1,160,000

## Online information

- There may have some disadvantages when considering a corporate sale unless the present professional staff are prepared to remain and provide continuity for the purchaser.

## Area Code Analysis

Post code -NE455LA

Corporates, as a rule, are mostly interested in practices with a turnover greater than £1m and this practice is just above that level. Looking at the post code area in question the presence of 3 corporate group sites within it, the practice will be of interest to one or all of them.

## Conclusions and comments

The VPV algorithm produces an estimated goodwill value of £669,960 to £802,612 which is dependent upon information input.

For a corporate purchase we feel the practice has a potential sale value of between £994,000- £1,160,000 in the present market.

If marketed to a private seller it is likely that the achieved price could be up to 25% less

The directors would receive the value of the final balance sheet including the agreed uplifted goodwill value, which will almost certainly be greater than the goodwill value alone.

It is quite likely at least 2 of the corporate groups would be interested, and we would be looking for offers based upon our maximum calculated maintainable profit.

Please remember this valuation is only an estimate, we would need a practice valuation and further investigation to produce the most accurate figures.

To ensure you get the maximum amount for your company, information must be presented in a professional manner and portrayed with narrative that describes the full details of the practice.

To maximise the final sales value marketing the company and negotiating the sale should be undertaken in a professional manner, something in which the VBA excels

We work on a No Sale No Fee basis, **and our fee for this report will be offset against any charges** if you engage our services to help sell your practice.

If you wish to discuss your valuation please contact us, on 07939216174 or [mal@thevba.com](mailto:mal@thevba.com)

Specimen