



## VETERINARY NEWSLETTER

May 2016

### Unethical Negotiations by Veterinary Corporates

A vet we know was approached by one of the smaller veterinary corporates in May 2015. In July they put forward a proposal, which he accepted. He then started helping them with their process of due diligence, and supplied them with all of the required information. In mid October they sent him a business sale agreement proposing a completion date two weeks later. Two days after sending the business sale agreement, they expressed concerns about sustaining the profitability and arranged another meeting. About two weeks later they proposed a new offer, which reduced their original offer by 36%. The vet rejected it all and regrets the wasted time, to say nothing of the fees from solicitors and accounting advisers required to meet all their demands.

Be very careful in dealing with veterinary corporates. If they have been given the information required to do their due diligence, they need to get it out of the way before they put the proposed business sale agreement to the vendor. If in doubt, demand of the corporate that they provide contact details of other vets who have sold to them who you can use as references.

### Bizarre Purchase by NVC

In one of the most bizarre acquisition announcements of recent times, National Veterinary Care Ltd (ASX: NVL) announced the acquisition of Complete Vet Systems on 26 April. According to the ASX release *"CVS provides paid management services to veterinary clinics, which, in some instances, are not acquisition targets of NVC. CVS will allow us to generate revenue which we would have otherwise missed out on. The business is also an important strategic fit and allows us to further realise one of our core strategies where we wish to partner with as many veterinary professionals in the industry as possible, and to provide them with education and value-added activities, which are ultimately aimed at ensuring NVC helps to increase the standards of care for Australian pets and their owners."*

Synstrat was intrigued and investigated further. We have been able to obtain a copy of an invoice for the Complete Vet System, and for the bargain price of \$18,000 per annum (plus GST) you get access to management tools, benchmarking webinars and training. However, things get a little bizarre after that. The invoice references a Gold Coast physical address

and a web site [www.bizrenovators.com](http://www.bizrenovators.com) which is a dead link. A WHOIS enquiry offers a GoDaddy registered site with deletion prohibited, which is an uncommon status that is usually enacted during legal disputes.

However, the good news is that their Facebook page is active. We visited this and found the following:

#### PAGE INFO

Start date	Launched on 3 June 2010
Short description	Want 7 weekly, fresh strategies to transform your business for the information age to create more customers and greater sales? <a href="http://www.bizrenovators.com">www.bizrenovators.com</a>
Company Overview	<p>The Business Renovators was founded by Luke Fatooros, serial entrepreneur and Alan Furlong, one of Australia's leading Internet Marketing teachers. Together they created a cutting edge business mentoring model called the ENTREPRENEURIAL ECO- SYSTEM to help businesses adapt and thrive in today's ever changing, 21st century business environment</p> <p>The Business Renovators were handpicked from 100's of business speakers to appear LIVE on stage with SIR RICHARD BRANSON in Australia to present their ground breaking ENTREPRENEURIAL ECO- SYSTEM.</p> <p>This powerful system now helps many businesses around the world to accelerate growth in turbulent markets in record time. The system features revolutionary tools to increase sales by \$100k FAST and increase the business value by \$100k in 100 days or less.</p>

We were immediately struck by the thought that this hardly seems to be the website of a serious veterinary support organisation. We would suggest any vet approached by CVS undertakes serious due diligence of the authenticity of the services they offer.

As for NVC, we hope they have looked carefully at this acquisition. After all they paid \$0.82M for the business at an EBIT multiple of 5.5x prospective earnings. At least it was not all cash, with \$0.16M of the consideration in NVL shares to be held in voluntary escrow for 24 months from the date of settlement subject to clawback provisions related to maintaining the EBIT of the business. Interestingly, the announcement of the acquisition makes no mention of the fate of current management of CVS or even who they are.

It's a curious acquisition and we are sure that the fact they are both Gold Coast businesses is coincidental, but we hope for the sake of NVC shareholders that this acquisition delivers on the strategic goals of NVC.

## Successful Vet Marketing

It is well proven that providers of personal and professional services gain most of their clients via personal referral or the provision of lead-in services. People are more likely to go back to a place they have been to before for another reason. Money is better spent on making a practice attractive, and in communicating to clients rather than on letterboxing or advertising in the local press. The latter methods have proved to be non cost effective.

## Synstrat Publications

For those vets up to the challenge of sustaining a veterinary career, Synstrat's two publications, ***50 Rules for Financial Success as a Veterinary Surgeon*** and ***Buying and Selling Veterinary Practices*** are available free of charge. Email your postal address to [annie@synstrat.com.au](mailto:annie@synstrat.com.au) and additionally, if you wish to receive our Vet Newsletter via email, please indicate.

## Independent Financial Planning and Life Insurance for Vets

Synstrat is experienced at providing financial plans for vets. These take into account veterinary practice profitability and benchmarks, as well as ownership of premises and other family assets and other financial issues. Telephone Graham Middleton, Cameron Darnley or Roger Armitage, each of whom are experienced financial planners, on 03 9843 7777. Cameron can also assist with life insurance. Synstrat Management Pty Ltd holds its own financial services licence. It is not obliged to recommend the products of a particular bank or insurance company.

## Practices Near Greencross

Occasionally our comments have been queried. We regularly speak to vets and review practice financials throughout Australia. There is regular evidence in the form of the actual experience of veterinary practice owners and the financials of their practices indicating that practices located near to a Greencross practice experience an upsurge in new patient fees when Greencross buys a nearby practice. Did this occur because the corporate style offended some clients of Greencross, or because the takeover of a competing practice by Greencross inspired nearby practices to lift the standard of their presentation and made them more conscious of the need to engage personally with their clients?

Stability of staffing is critical. Clients become loyal to their vet practice. If competing with a corporate, smiles, handshakes, recognition and knowledge of the client are critical weapons. Motivated vets who own practices near corporates can and do regularly outperform.

## More Information by Email

We periodically send out more information to vets than we can fit into the Veterinary Newsletter, but for you to receive that information you need to advise your email address to [annie@synstrat.com.au](mailto:annie@synstrat.com.au) and advise the postal address we currently send your newsletter to.

## Gold Coast Scams

Maybe there is something in the Gold Coast water, but over many years a series of creative scams have

preyed upon the gullible, including systems of how to win at the races, how to win on the share market and how to make your fortune trading currencies. There have also been a number of boiler room scams and real estate scams of land sold below the high tide mark. International fraudster Peter Foster, who has been jailed in several countries, is from the Gold Coast, as was his mother, a real estate identity. As Phineas T Barnum of circus fame observed, there is a sucker born every minute. Google 'Gold Coast scams' and Peter Foster for more.

## Veterinary Divorce

A practice valuation from a valuer jointly agreed by both parties assists in achieving speedy and cost efficient settlement. Less than 2% of family law property settlement matters are settled by going to court. Synstrat has provided many valuations for couples that have speeded up the settlement process.

## Resolving Partnership Disputes

It's practically unknown for veterinary partnership disputes to actually be solved by lawyers. We have assisted many vets to settle their disputes. While rushing to lawyers is an instinctive response, remember that lawyers come in quads, i.e. your solicitor and barrister, and the other party's solicitor and barrister. Add in associated other advisers with correspondence going from solicitors to advisers to barristers, back to the other party's solicitors, barrister and advisers. Once that circle of paper warfare starts, you are on the path to writing off hundreds of thousands of dollars. Consulting Synstrat early can lead to big savings in costs.

## Are You Practicing in the Dark?

If you want accounting services supported by benchmarking data, and advice from people who speak to vets on a daily basis, telephone Graham Middleton or David Collins on 03 9843 7777.

Visit [www.synstrat.com.au](http://www.synstrat.com.au) for more information on these topics.

**THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED VETERINARY PRACTICE BUSINESS ADVISERS, ACCOUNTANTS, PRACTICE VALUERS AND LICENCED FINANCIAL ADVISERS**  
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