



VETERINARY NEWSLETTER

December 2015

Cenvet Updated Performance

Cenvet achieved actual sales of \$106.14 million in the 2015 financial year, which was in line with its forecast. Its gross sales increased by 10.08% over the previous year.

Cenvet has forecast gross sales of \$128.34 million in the 2016 financial year, or an approximately 20% increase on 2015. Importantly its revenue in the period to 31 October is up by 20.01% and there is a substantial improvement in net profit before tax, indicating that its forecast for the 2016 financial year is on track to be met.

As Provet and Lyppard are unlisted foreign-owned businesses we are uncertain as to relative market share, but it is estimated that Cenvet may have about 22% of the veterinary wholesale market. We understand that Provet is the largest veterinary supplier followed by Lyppard, with Cenvet third. Other remaining wholesalers are likely to be much smaller.

Cenvet's forecast for the 2017 financial year is for sales of \$150.02 million, which would be an increase over the forecast sales for 2016 of a further 16.9%. There is tangible evidence that Cenvet's growth has accelerated and that its strategy of broadening its veterinary shareholder base plus its other initiatives are being successful in the marketplace. It appears as a business which, although it was relatively moribund three years ago, has shaken off its inertia. It is normal for businesses in a recovery phase to gain momentum. Since overhead costs tend to reduce with volume of sales, profitability has the potential to increase (albeit off a modest base) at a significantly faster rate than growth in sales.

Interim Dividend

Cenvet has declared an interim dividend of 1.8 cents per share fully franked to be paid on 29 January 2016. Shareholders may participate in the dividend reinvestment program at a price of 65 cents per new share.

More Shareholders?

There are limitations on what can be said about acquiring the shares of an unlisted company without a prospectus or information memorandum, unless

investors concerned meet the income/assets test of a professional investor. Nor do we have a definite indication that more shares will be available to buy. We think it likely that this will occur because of the demonstrated prior success of Lyppard and Provet in turning vets into shareholders. Those shareholders received windfall profits when the companies were taken over by foreign interests.

We understand that veterinary shareholders owning at least 3,000 shares qualify for participation in its 'CenSational Rewards' scheme. Practice owners who meet certain sales tests for a range of products can access benefits. Synstrat is not in a position to compare Cenvet's scheme with other purchase rebate schemes, but vets can email rebate@cenvet.com.au or to go www.cenvet.com.au for further information. Vets who may be interested in purchasing Cenvet shares, if more become available, should contact the company secretary Danny Putica (danny.putica@vetstar.com.au)

VetShare

I wish that VetShare merited the same optimism concerning its business growth as does Cenvet. Unfortunately it doesn't. Furthermore it appears to have significant difficulty in getting its financial information to shareholders in a timely manner.

Personal Disclosure

I own shares in Cenvet as well as in VetShare in my family superannuation fund.

Graham Middleton

About Synstrat Practice Valuations and Accounting Services

Synstrat maintains an active, continuously updating database of veterinary practice benchmarking performance. This is essential in assessing features of a practice. As accountants and advisers to many veterinarians, we also witness the purchase and sale agreements for practices, and this is a critical tool in assessing the market. We have data on practice valuations and practice sales extending over many years. Synstrat also provides valuations for the parties seeking family court endorsed property settlements. Telephone David Collins or Graham Middleton on 03 9843 7777.

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 and additionally, if you wish to receive Synstrat's Veterinary 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 licence. It is not obliged to recommend the products of a particular bank or insurance company.

Saving Money on Health Insurance (part 2)

Don't be confused by misleading health fund advertising, and don't confuse hospital cover with extras cover. Hospital cover generally covers major surgery such as hip and knee replacements and heart surgery, as well as obstetrics, but check carefully what you are covered for. For example, it is sometimes the case that women who are past their childbearing stage are still paying into a table which provides obstetrics cover.

Extras Cover

This is also referred to as ancillary cover. It covers dental, optical, physio and chiropractic. Anything else is insignificant. Dental accounts for 50% of claims and optical about 20%. If you've got good teeth, live where the water supply is fluoridated and have good eyesight, there's no point in belonging to an extras table because you'll be gifting money to a health fund.

Health funds make much higher profit margins on extras insurance than on hospital cover, which is why the big three: BUPA, Medibank Private and nib, spend a lot of money advertising extras rather than hospital cover.

Tips

If your health cover burden is too great:

1. Keep hospital cover but ditch extras cover.
2. Avoid coverage by BUPA which remits profits to its UK parent, and avoid Medibank Private and nib which have to make significant profits to satisfy their shareholders. Check coverage among the smaller mutual funds.

Personal Disclosure

My wife and I have hospital cover with a smaller mutual fund, but no extras cover. We find it more cost effective to pay our own dental bills and pay for our own spectacles.

Graham Middleton

Greencross Limited

Greencross shares have been targeted by short sellers who believe the stock market cannot sustain its PE ratio.

More Information by Email

We can 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 and advise the postal address we currently send your newsletter to.

Selling to a Veterinary Corporate

If you own a practice of two-vet-plus size but have many working years left as a vet, it makes little sense to sell to a corporate now. Corporates and other buyers will still be around in ten, fifteen or twenty years, but in the meantime:

1. You may have increased your profit year by year.
2. You may have increased your practice goodwill value year by year.
3. You have probably bought, extended and improved the practice premises and increased their value.
4. Subject to current ownership structure, shared profits with your spouse.
5. Doubled up on superannuation by including your spouse.
6. Enjoyed being your own boss and in control of your own practice.

Giving all that up to become the lead vet in a corporate-owned practice doesn't make sense for many vets. Selling to a corporate if you're two or three years from retirement may make sense.

Are You Practicing in the Dark?

If you're practicing in the dark and want accounting services supported by real benchmarking data, and advice from people who speak to vets on a daily basis, then please telephone Graham Middleton or David Collins on 03 9843 7777.

Visit 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

For further information on these subjects, please call:

**Graham Middleton BA MBA
or David Collins MEng MBA CA MIET GAICD
Telephone: 03 9843 7777
Email: vet@synstrat.com.au
Internet: www.synstrat.com.au**

Disclaimer

The information contained herein is of a general nature and no specific action should be taken without individual advice. Speak with Synstrat staff as appropriate.

This newsletter was prepared by Synstrat Management Pty Ltd, who is the holder of Australian Financial Services Licence No. 227169