



VETERINARY NEWSLETTER

JULY 2018

Greencross now a focus of short sellers

According to an article in the Australian Financial Review on Tuesday 19th June 2018, Greencross has joined the list of stocks with significant short sold shares at 11.1%.

Greencross chief executive Simon Hickey downgraded profit guidance by about 9% on May 9th and announced plans to cut costs by about 5% triggering a 22% share price plunge.

The strategic review surprised investors and uncovered concerns about the group's long term growth prospects and strength of balance sheet.

On 5th June 2018 we noted a report titled "Fleas at Greencross?" by Jeffrey Tse of Forager Funds, which was critical of the accounting treatment concerning the life of software following the big spend by Greencross between 2014 and 2017 and the unusually long life attributed to it of 10-15 years. According to Forager Funds, had Greencross excluded an onerous lease add-back and assumed a 5-year software life, then underlying earnings per share should have declined by 8% in the first half of the 2018 financial year and there would not have been any growth in 2016 or 2017. But if Greencross had fully expensed software costs, underlying earnings per share should have declined by 13% in 2017 and 22% in the first half of 2018!

Separately we have commented on the shortage of Veterinarians able to work full time and the impact it will have on veterinary corporates including Greencross Ltd. That is particularly good news to veterinary practices conducted by two or more full time partners who are in competition with corporately owned practices.

The Veterinary Korps in the Kaiser's Army

The German Army of World War One had a massive reliance on horses and veterinary officers were distributed throughout the army. Prior to the war there were 832 Veterinary Officers plus 33 Veterinary Surgeons under training at the Military Training School in Berlin. They were distributed three per cavalry regiment (total 351), three per field artillery regiment (total 315), one per foot draft horse section (total 32), 16 for communication troops and two per training battalion (total 50), and 101 for instructional inspection staff (headquarters) posts. Needless to say the numbers increased hugely commensurate with the size of the mobilised field army calling upon civilian veterinarians and suitably qualified reserve officers once war broke out.

History indicates that they were well qualified, including about four and a half years' training prior to being qualified as veterinary officers.

Australian Light Horse Veterinarians

Other armies would have had significant numbers of veterinarians and at the outbreak of war each of Australia's light horse regiments contained a veterinary section. As the war progressed, the veterinary sections in each of those regiments were combined into brigade veterinary units; there being three light horse regiments to a brigade. A vast number of horses were employed in supplying the field army notwithstanding a significant degree of mechanisation and there were veterinarians scattered through the logistics chain.

Please pass it on

Our Veterinary email list can never be as large as we would like. If you belong to a veterinary group or veterinary chat line and think that copies of our newsletters are of interest to them please email it on and we invite all vets who wish to be on the email list to email cheryl@synstrat.com.au with that request.

Practice business advice

Advice concerning practice performance, structuring of veterinary partnerships, timing of partnership changes, performance measurement, marketing of practice services etc. For initial discussion on these subjects contact Graham Middleton – if unavailable contact Jenny O'Brien 03 9843 7777 to make an appointment for a face to face meeting or telephone conference – charges apply.

Saving money on life insurance

Many vets have been sold inappropriate level premium policies which are unnecessarily expensive. Successful vets reduce their need for life insurance as their assets including superannuation increase. Cheaper life insurance cover will meet their needs. Speak to Cameron Darnley, the Synstrat partner who deals with life insurance to determine whether you can save money through a better deal.

Don't practice in the dark – Practice performance benchmarking

Following the production of veterinary practice accounts by our team of accountants we benchmark our clients' performance against the continually updating database of veterinary practice performance from an Australia wide clientele of veterinarians. We maintain separate databases for small animal and mixed animal practices.

Does your accountant understand your veterinary practice?

Many vets practice in isolation with no idea as to how their practice compares with other vets. Many accountants have only one or two veterinary clients and give inappropriate guidance by comparing their performance with miscellaneous small businesses whose performance is irrelevant. If you're in the dark speak to Graham Middleton. We will analyse your issues and guide you to a Synstrat accountant suitable to your needs. For appointments with Graham, speak to Jenny O'Brien 03 9843 7777. Charges apply.

Veterinary practice valuations

A valuation may be required because you're considering buying or selling a practice or becoming a partner in a practice or selling part of a practice or need to provide comfort to a bank lender or to resolve a dispute between veterinary practice owners. Speak with Graham Middleton or David Collins 03 9843 7777 or if unavailable speak to Jenny O'Brien who will arrange an appointment for a telephone conference or meeting.

Family Law Valuations

Unfortunately vets are not immune from relationship breakdown. We have many years' experience in providing joint valuations in accordance with Family Court requirements. Our valuations invariably stand up to scrutiny as being both thorough and objective and result in the value of the veterinary practice being agreed by the parties. You cannot afford to appoint a valuer who is not experienced in valuing veterinary practices or to allow your lawyer to appoint a valuer who is not experienced in valuing veterinary practices because invariably valuations from inexperienced valuers are subject to challenge by the other party. For further information speak with Graham Middleton or David Collins 03 9843 7777 or if unavailable speak to Jenny O'Brien who will arrange an appointment for a telephone conference or meeting with Graham or David.

Financial Advice

Many financial planners belong to banks or other major organisations and have no idea how to integrate your veterinary practice performance, your veterinary practice premises and your tax planning into an overall financial plan. Much of their advice can be inappropriate and actually result in holding back the rate of veterinarian's financial improvement. Synstrat is experienced in assisting vets. Speak with Graham Middleton, Cameron Darnley or Roger Armitage. Appointments can be made via Jenny O'Brien 03 9843 7777.

The Synstrat Group

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Vetshare Ltd - Financial Report to 31 December 2018

During the first half of 2018 financial year Vetshare discontinued its veterinary wholesale business which had struggled to breakeven at a very low revenue base.

It has since concentrated on its veterinary buying group business. After booking costs associated with the closure of its wholesale arm Vetshare produced a half year loss to 31 December 2017 of \$176,664. This was announced by a chairman's letter on 2nd July 2018. Its announcement indicated that during the period January to May this year it is trading profitably and that buying group membership is increasing.

As the company is yet to book an actual financial year profit we urge it to get its consolidated year end accounts provided to shareholders as quickly as possible. Its lateness in reporting is not acceptable. Its long suffering shareholders need to see a positive result and to give more clarity we ask it to give a six month breakdown between first half and second half of the financial year 2018 with its year end report.

As at 31 December 2017 Vetshare Ltd group had accumulated losses of \$4,044,677 and equity of \$1,004,165. We look forward to a turnaround.

Value per share

There are 6,016,792 shares on issue. Net assets per share, which are the best guide to share value, are 16.7 cents.

If the company's optimism proves to be justified then it has \$4,044,627 of accumulated losses to absorb before it can pay a dividend. Hopefully the optimism concerning the number of practices joining its buying group will prove to be born out as will its forecast profitability.

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 vet@synstrat.com.au

For more information on these and many other topics visit www.synstrat.com.au

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