

Joint Venture – is it right for me?

London Vet Show 2013
BVA Careers

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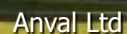
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The logo for Anval, featuring the word "anval" in a bold, lowercase, sans-serif font. A small orange and yellow circular graphic element is positioned to the right of the text.

anval

Expert guidance for
veterinary practices

The text "Anval Ltd" in a small, lowercase, sans-serif font, centered at the bottom of the page.

Anval Ltd

**Peter
Gripper**

**Pete
Orpin**

**Ewan
McNeill**

**Geoff
Little**



Services

Goodwill valuations

Selling a practice

Buying into a practice

Mergers

Starting a practice

Benchmark your business

Expert witness/

Loss of earnings

Putting experience into practice.

Developing your business

Planning the future

Succession Planning

Incorporation or partnership...?

Building profitability

Review of business

Marketing

How to set fees

Part time working

Managing the team

Profit related pay

Career and ownership options

■ Practice Owner

- Start up
- Partner
- Salaried partner
- Shareholder
- Director
- Joint venture
- Assistant
- Join a corporate group
- Locum
- Specialist & Referral

■ Non Practice

- Industry
- Research
- Pharmaceutical companies
- Government
- Army
- Abroad or UK
- Other

Why be an Owner

Reasons and Motivations – personal

- Be my own boss
- Job satisfaction
- Control
- Quality of life
- Better earnings
- Challenge
- Feeling valued
- Rubbish employers out there

Ownership Options

- Start up
- Buy a practice
- Buy into a business
 - Joint Venture – Buy in or set up
 - Partnership
 - LLP - Limited Liability Partnership
 - Ltd - Shares in Ltd company
 - Other

4 Business Ownership Models

1. Sole Trader
 2. Partnership
 3. Limited company (Ltd)
 4. Limited Liability Partnership (LLP)
- Variants and hybrids
 - Service company (Partnership, LTD, LLP) alongside
 - Property business in parallel, SIPP
 - Joint ventures, JVP, franchises and others
 - Corporate partners

Start up or Established - Different

- Building a business from scratch
- All new clients or clients already there
- Break even – Day 1 or Year 1
- Marketing to new clients or developing current client's
- Entry costs
- Inherit previous business history
 - Reputation
 - Staff team & their contracts (TUPE)
 - Services
 - Liabilities – will any transfer
 - Loans HP Contracts – will any transfer & Ongoing obligations
 - Skeletons – any?

– Buying Ltd co shares or Buy Trading assets

Start Up, Buy or Buy in

- The business aims
 - Aligned
 - Vision & values
 - Strategic direction
- Does it match your aims
- Develop business and profit streams – who & how
- Developing the business – (team or solo)
- Operational day to day management
- Benefits - Financial & non financial

Start Up, Buy or Buy in

- Entry costs
- Funding and finance - Investment by whom and when
- Premises – freehold or leasehold, how funded
- Valuation – entry & exit capital sum
- Break even point & Cash flow
- Profit & Loss Projections
- Profit divisions
 - Your share & others share
 - How changes with time and profit levels
 - Annual earnings
- Succession & Exit routes
 - Develop “business partner” later
 - Internal sale or Open market sale

Tick all the boxes

- Financial
- Personal
 - You
 - Life partner
 - Family and (honest) friends
- Professional & clinical
- The Business as an entity

The Three R's + 2 more!

- Risks
- Rewards
- Responsibilities

- Resources
 - Yours
 - Others & know how
- Research

££ Logistics & Understanding

- Cost to buy in
- Equal or unequal equity
- Equal or unequal profits
- Profit distribution method
- Understand P&L & BS
- Return in £ or in % or other?

Owner's Earnings "include"

- Clinical salary
- Managerial salary
- Pensions contribution (@ 12% of salary)
- Rent return on freehold
- Sickness cover & insurance
- Interest on capital
- Investors return
- Risk capital reward

Profit Division - Which is priority Who gets what proportion of profits

- Owner & risk capital
 - Annual profits
 - Final value
- Shareholder - dividends
- Director - salary
- Landlord & Property owner - rent
- Veterinary "owner / partner" - profit share
- Non veterinary "owner / partner" – salary
- Only one pot for distribution

Finances - Profits & Distributions

- Who gets profits
- How "profits" defined
- How distributed & when
- What method or formula
- If profits increase – who gets what proportion
- If profits decrease – who gets what proportion

Input

- You & Others
- Capital
- Day to day
- Strategy
- Personal
- Finance
- Expertise – which areas

Skill Sets – Yours & Others

- Clinical
- Business
- Management
- Leadership
- Management
 - Strategic & longer term
 - Operational & day to day
 - Personnel
 - Finance
 - Delegation
- **Be honest with yourself**

Joint Venture Benefits

- Timescales – ready to go?
- Shared risk
- Support
- Expertise
- Capital
- Site found
- Built & equipped Day 1

Economies of scale benefits

- Purchasing eg Meds
- Buying power
- Advertising
- Recruitment
- Marketing
- Contracts
- Personnel
- Finance
- Technology
- Social media
- Reminders
- Printing and mailing
- Health scheme
- CPD – in house
- Training

You & your business partner's return

- Profit share or fixed sums or combination
- Pay for the expertise and services input from JVP
- Share of profits after salaries or before
- Define "profits"
- Charge on profits
 - %, flat rate, sliding scale, or capped
 - Differential profits
 - 1st call on profits
- Charge on turnover
 - All turnover, fees, medicines, other
 - What is your current margin? On Fees, Medicine sales, retail
- Fixed or variable
 - eg 5 yrs time, 10 yrs time
 - Variable with time or performance
- Bonus levels
- Trigger points (eg loans repaid)
- Do you benefit from your JVP's other success, or losses

Future Success (or losses)

- When break even?
 - Start up v Established practice
- Who gets what profits
- Who gets what increase in profits
- Increase in value in Year 3, 5, 7
- Priority of loans etc
- Longer term liabilities

Joint Venture Business Partners

- What you put in and what you get out
- What others put in and others get out
- Pros Cons – check short term & longer term
- Exit routes - For you & For others
- Can you sell, can your JVP sell
- Goodwill & future value

Utilise External Help

- Advisors
 - Accountant
 - Solicitors
 - Parents – Family – Friends
- Take independent advice
- Legal & Professional
- Bank
- £ Funding

Agreements

- Shareholders agreement
- Partnership Agreement
- Joint venture agreement
- Director's service contract
- Options and obligations for owners
- Articles of Association
- Lease for premises
- "Gentleman's" agreement

Clear Agreements

- Finances
 - Capital and equity shares
 - Profit share & distribution
 - Any losses incurred
- Working arrangements
 - Time off & holidays
 - {Part time working}
 - Sickness, sick pay & time periods, Cross life cover
- Decision making - Majority v Unanimous
- Exit routes (both parties – yours & theirs)
- Notice period and process
- Expulsion – absence & more, Dissolution
- Anti dilution rights & Come along rights

Due Diligence

- Due diligence
 - Legal
 - Financial
 - Practical
- Time, Level of detail, Cost
- Internal sale v external buyer
- Guarantees, Warranties & Disclosures
- Your accountant & solicitor
- Legal
 - Planning permission, Leases, Access rights, Rights of way, Staff contracts, Insurances, Employers liability, VDS, HR matters, redundancy
 - HSE & COSHH, Radiation safety
- Financial
 - VAT, PAYE, TAX, NIC, Proper accounts
 - HP agreements, Contracts, lease finance, Loans

What is the succession plan

- Is there one?
- Exit routes (both parties)
- Internal sale
- External sale
- Options / obligations
- On you & your business partners
- On selling to new person
- Final value
- How / When
- Can your JVP sell – can you / must you buy

Prepare & Appraise Proposals

- Clear open and realistic
- In advance
- Open discussions and information
- Equitable values
- Is there a Business Plan
- Are there performance projections & targets
- A future vision
- Did you contribute to it (or sign up to it?)

Cost of Business Ownership

- Investigating a proposal
- External advisors (eg Anval Ltd)
- Bank fees
- Due diligence costs
- Legal costs
- Plus more if your own start up eg planning & architect fees

Top Tips

- Understand what you are getting in to
- Discuss and set up proper clear agreements
 - Do not avoid the legal aspects
 - Do so at your peril and cost
- Set a realistic business plan
- Confirm joint aims
- Plan ahead
- Plan for predictable scenarios & surprise
- Quirks = cross life cover, sick pay, absences, etc
- Check finances
 - Income and Capital
 - Short term and longer term
 - Review cash flow for next 3 - 5 years
- Work out and understand the exit routes

Summary – Consider & Review

- Structure
- Objectives
- Financial control
- Intellectual Property
- Management & Control
- How liabilities and profits are shared
- How disputes will be settled
- Exit strategy
- Termination of agreement

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